



UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 1-16091

**POLYONE CORPORATION**

*(Exact name of registrant as specified in its charter)*

Ohio

*(State or other jurisdiction  
of incorporation or organization)*

33587 Walker Road, Avon Lake, Ohio  
*(Address of principal executive offices)*

34-1730488

*(I.R.S. Employer Identification No.)*

44012

*(Zip Code)*

Registrant's telephone number, including area code: (440) 930-1000

Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

*(Do not check if a smaller reporting company)*

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

The number of outstanding common shares of the registrant, \$0.01 par value, as of July 28, 2010 was 93,082,923.

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**Part I – Financial Information****Item 1. Financial Statements**

**PolyOne Corporation and Subsidiaries**  
**Condensed Consolidated Statements of Operations (Unaudited)**  
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	Adjusted 2009	2010	Adjusted 2009
Sales	\$ 692.9	\$ 496.5	\$ 1,323.3	\$ 959.9
Cost of sales	566.2	415.6	1,093.1	828.2
Gross margin	126.7	80.9	230.2	131.7
Selling and administrative	73.0	77.1	146.9	147.3
Adjustment to impairment of goodwill	—	—	—	5.0
Income from equity affiliates	7.8	10.1	9.3	23.4
Operating income	61.5	13.9	92.6	2.8
Interest expense, net	(7.7)	(8.8)	(15.7)	(17.6)
Other expense, net	(1.2)	(0.7)	(1.9)	(7.3)
Income (loss) before income taxes	52.6	4.4	75.0	(22.1)
Income tax (expense) benefit	(6.9)	(6.3)	(10.9)	2.5
Net income (loss)	<u>\$ 45.7</u>	<u>\$ (1.9)</u>	<u>\$ 64.1</u>	<u>\$ (19.6)</u>
<b>Earnings (loss) per common share:</b>				
Basic earnings (loss)	\$ 0.49	\$ (0.02)	\$ 0.69	\$ (0.21)
Diluted earnings (loss)	\$ 0.47	\$ (0.02)	\$ 0.67	\$ (0.21)
<b>Weighted-average shares used to compute earnings (loss) per share:</b>				
Basic	92.8	92.4	92.7	92.3
Diluted	96.3	92.4	95.6	92.3

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

**PolyOne Corporation and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(In millions)

	(Unaudited) June 30, 2010	Adjusted December 31, 2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 241.1	\$ 222.7
Accounts receivable, net	360.8	274.4
Inventories	226.9	183.7
Other current assets	28.7	38.0
Total current assets	857.5	718.8
Property, net	363.7	392.4
Investment in equity affiliates and nonconsolidated subsidiary	12.0	5.8
Goodwill	163.7	163.5
Other intangible assets, net	69.5	71.7
Deferred income tax assets	6.9	8.1
Other non-current assets	57.7	55.7
Total assets	<u>\$ 1,531.0</u>	<u>\$ 1,416.0</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 59.8	\$ 19.9
Short-term debt	0.4	0.5
Accounts payable	329.8	238.3
Accrued expenses	111.7	117.0
Total current liabilities	501.7	375.7
Long-term debt	329.6	389.2
Post-retirement benefits other than pensions	20.1	21.8
Pension benefits	167.5	173.0
Other non-current liabilities	104.6	98.6
Shareholders' equity	407.5	357.7
Total liabilities and shareholders' equity	<u>\$ 1,531.0</u>	<u>\$ 1,416.0</u>

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

**PolyOne Corporation and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
(In millions)

	Six Months Ended June 30,	
	2010	Adjusted 2009
<b>Operating Activities</b>		
Net income (loss)	\$ 64.1	\$ (19.6)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	27.8	34.0
Deferred income tax provision	1.9	8.8
Provision for doubtful accounts	2.4	1.5
Stock compensation expense	2.1	1.4
Adjustment to impairment of goodwill	—	5.0
Asset write-downs and impairment charges	0.1	1.4
Companies carried at equity:		
Income from equity affiliates	(9.3)	(23.4)
Dividends and distributions received	1.5	14.2
Change in assets and liabilities, net of acquisition:		
Increase in accounts receivable	(100.2)	(9.4)
(Increase) decrease in inventories	(49.0)	60.8
Increase in accounts payable	100.3	74.7
Decrease in sale of accounts receivable	—	(14.2)
Decrease in accrued expenses and other	(0.5)	(0.6)
Net cash provided by operating activities	41.2	134.6
<b>Investing Activities</b>		
Capital expenditures	(10.9)	(12.2)
Proceeds from sale of equity affiliate and other assets	7.8	—
Net cash used by investing activities	(3.1)	(12.2)
<b>Financing Activities</b>		
Change in short-term debt	—	15.1
Repayment of long-term debt	(20.0)	—
Proceeds from the exercise of stock options	1.6	—
Net cash (used) provided by financing activities	(18.4)	15.1
Effect of exchange rate changes on cash	(1.3)	0.5
Increase in cash and cash equivalents	18.4	138.0
Cash and cash equivalents at beginning of period	222.7	44.3
<b>Cash and cash equivalents at end of period</b>	<b>\$ 241.1</b>	<b>\$ 182.3</b>

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

**PolyOne Corporation and Subsidiaries**  
**NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1 – Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Form 10-Q instructions and in the opinion of management contain all adjustments, consisting of normal recurring accruals necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. These interim financial statements should be read in conjunction with the financial statements and accompanying notes included in the Annual Report on Form 10-K for the year ended December 31, 2009 of PolyOne Corporation.

Operating results for the three-month and six-month periods ended June 30, 2010 are not necessarily indicative of the results that may be attained in subsequent periods or for the year ending December 31, 2010.

**Note 2 – Change in Accounting Principle**

Effective January 1, 2010, we elected to change our method of valuing inventories for certain U.S. businesses to the first-in, first-out (FIFO) method, while in prior years, these inventories were valued using the last-in, first-out (LIFO) method. As a result of this change, all inventories are valued using the FIFO method. Inventories accounted for under the FIFO method as a percent of total consolidated inventories was 76%, with the remainder determined on a LIFO basis at December 31, 2009. We believe the FIFO method is preferable as it conforms the inventory costing methods for all of our inventories to a single method and improves comparability with our industry peers. The FIFO method also better reflects current acquisition cost of those inventories on our consolidated balance sheets. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 250, *Accounting Changes and Error Corrections*, all prior periods presented have been adjusted to apply the new method retrospectively. The effect of the change in our inventory costing method increased our inventory balance and retained earnings by \$42.4 million as of January 1, 2009. There were no tax effects to retained earnings for any of the periods presented below due to the fact that we have a valuation allowance recorded against our net deferred tax assets in the United States.

We have presented the effects of the change in accounting principle for inventory costs on our consolidated financial statements for 2010 and 2009 below. We have condensed the comparative financial statements for financial statement line items that were not affected by the change in accounting principle.

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*Condensed Consolidated Statements of Operations*

(In millions, except per share data)	Three months ended June 30, 2010			Three months ended June 30, 2009		
	Computed under LIFO	Change to FIFO	Reported under FIFO	Originally Reported	Change to FIFO	Adjusted
Sales	\$ 692.9	\$ —	\$ 692.9	\$ 496.5	\$ —	\$ 496.5
Cost of sales	566.4	(0.2)	566.2	410.2	5.4	415.6
Gross margin	126.5	0.2	126.7	86.3	(5.4)	80.9
Selling and administrative	73.0	—	73.0	77.1	—	77.1
Income from equity affiliates	7.8	—	7.8	10.1	—	10.1
Operating income	61.3	0.2	61.5	19.3	(5.4)	13.9
Interest and other expense, net	(8.9)	—	(8.9)	(9.5)	—	(9.5)
Income before income taxes	52.4	0.2	52.6	9.8	(5.4)	4.4
Income tax expense	(6.9)	—	(6.9)	(6.3)	—	(6.3)
Net income	<u>\$ 45.5</u>	<u>\$ 0.2</u>	<u>\$ 45.7</u>	<u>\$ 3.5</u>	<u>\$ (5.4)</u>	<u>\$ (1.9)</u>

Earnings per common share:

Basic earnings per common share	\$ 0.49	\$ —	\$ 0.49	\$ 0.04	\$ (0.06)	\$ (0.02)
Diluted earnings per common share	\$ 0.47	\$ —	\$ 0.47	\$ 0.04	\$ (0.06)	\$ (0.02)

(In millions, except per share data)	Six months ended June 30, 2010			Six months ended June 30, 2009		
	Computed under LIFO	Change to FIFO	Reported under FIFO	Originally Reported	Change to FIFO	Adjusted
Sales	\$ 1,323.3	\$ —	\$ 1,323.3	\$ 959.9	\$ —	\$ 959.9
Cost of sales	1,093.8	(0.7)	1,093.1	814.4	13.8	828.2
Gross margin	229.5	0.7	230.2	145.5	(13.8)	131.7
Selling and administrative	146.9	—	146.9	147.3	—	147.3
Other income, net	9.3	—	9.3	18.4	—	18.4
Operating income	91.9	0.7	92.6	16.6	(13.8)	2.8
Interest and other expense, net	(17.6)	—	(17.6)	(24.9)	—	(24.9)
Income before income taxes	74.3	0.7	75.0	(8.3)	(13.8)	(22.1)
Income tax expense	(10.9)	—	(10.9)	2.5	—	2.5
Net income	<u>\$ 63.4</u>	<u>\$ 0.7</u>	<u>\$ 64.1</u>	<u>\$ (5.8)</u>	<u>\$ (13.8)</u>	<u>\$ (19.6)</u>

Earnings per common share:

Basic earnings per common share	\$ 0.69	\$ 0.01	\$ 0.69	\$ (0.06)	\$ (0.15)	\$ (0.21)
Diluted earnings per common share	\$ 0.66	\$ 0.01	\$ 0.67	\$ (0.06)	\$ (0.15)	\$ (0.21)



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	<b>June 30, 2010</b>		
(In millions)	<b>Computed under LIFO</b>	<b>Change to FIFO</b>	<b>Reported under FIFO</b>
<b>Assets</b>			
<b>Current assets:</b>			
Inventories	\$ 202.1	\$ 24.8	\$ 226.9
Other current assets	630.6	—	630.6
<b>Total current assets</b>	<b>832.7</b>	<b>24.8</b>	<b>857.5</b>
Other non-current assets	673.5	—	673.5
<b>Total assets</b>	<b>\$ 1,506.2</b>	<b>\$ 24.8</b>	<b>\$ 1,531.0</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities	\$ 501.7	\$ —	\$ 501.7
Non-current liabilities	621.8	—	621.8
Shareholders' equity	382.7	24.8	407.5
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,506.2</b>	<b>\$ 24.8</b>	<b>\$ 1,531.0</b>

	<b>December 31, 2009</b>		
(In millions)	<b>Originally Reported</b>	<b>Change to FIFO</b>	<b>Adjusted</b>
<b>Assets</b>			
<b>Current assets:</b>			
Inventories	\$ 159.6	\$ 24.1	\$ 183.7
Other current assets	535.1	—	535.1
<b>Total current assets</b>	<b>694.7</b>	<b>24.1</b>	<b>718.8</b>
Other non-current assets	697.2	—	697.2
<b>Total assets</b>	<b>\$ 1,391.9</b>	<b>\$ 24.1</b>	<b>\$ 1,416.0</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities	\$ 375.7	\$ —	\$ 375.7
Non-current liabilities	682.6	—	682.6
Shareholders' equity	333.6	24.1	357.7
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,391.9</b>	<b>\$ 24.1</b>	<b>\$ 1,416.0</b>

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(In millions)	Six months ended June 30, 2010		
	Computed under LIFO	Change to FIFO	Reported under FIFO
<b>Operating Activities</b>			
Net income	\$ 63.4	\$ 0.7	\$ 64.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Other adjustments, net	26.5	—	26.5
Change in assets and liabilities, net of acquisition:			
Increase in inventories	(48.3)	(0.7)	(49.0)
Decrease in other	(0.4)	—	(0.4)
Net cash provided by operating activities	41.2	—	41.2
Net cash used by investing activities	(3.1)	—	(3.1)
Net cash used by financing activities	(18.4)	—	(18.4)
Effect of exchange rate changes on cash	(1.3)	—	(1.3)
Increase in cash and cash equivalents	18.4	—	18.4
Cash and cash equivalents at beginning of period	222.7	—	222.7
<b>Cash and cash equivalents at end of period</b>	<b>\$ 241.1</b>	<b>—</b>	<b>\$ 241.1</b>

(In millions)	Six months ended June 30, 2009		
	Originally Reported	Change to FIFO	Adjusted
<b>Operating Activities</b>			
Net loss	\$ (5.8)	\$ (13.8)	\$ (19.6)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Other adjustments, net	42.9	—	42.9
Change in assets and liabilities, net of acquisition:			
Decrease in inventories	47.0	13.8	60.8
Increase in other	50.5	—	50.5
Net cash provided by operating activities	134.6	—	134.6
Net cash used by investing activities	(12.2)	—	(12.2)
Net cash provided by financing activities	15.1	—	15.1
Effect of exchange rate changes on cash	0.5	—	0.5
Increase in cash and cash equivalents	138.0	—	138.0
Cash and cash equivalents at beginning of period	44.3	—	44.3
<b>Cash and cash equivalents at end of period</b>	<b>\$ 182.3</b>	<b>—</b>	<b>\$ 182.3</b>

[Table of Contents](#)**Note 3 – Goodwill**

Goodwill as of June 30, 2010 and December 31, 2009, by operating segment, was as follows:

(In millions)	June 30, 2010	December 31, 2009
Global Specialty Engineered Materials	\$ 82.5	\$ 82.4
Global Color, Additives and Inks	72.2	72.1
Performance Products and Solutions	7.4	7.4
PolyOne Distribution	1.6	1.6
Total	<u>\$ 163.7</u>	<u>\$ 163.5</u>

**Note 4 – Inventories**

As discussed in Note 2, *Change in Accounting Principle*, effective January 1, 2010, we elected to change our costing method for certain inventories. We applied this change in accounting principle by adjusting all prior periods presented retrospectively. Components of inventories are as follows:

(In millions)	June 30, 2010	Adjusted December 31, 2009
At FIFO cost:		
Finished products	\$ 141.0	\$ 108.4
Work in process	3.5	2.4
Raw materials and supplies	82.4	72.9
	<u>\$ 226.9</u>	<u>\$ 183.7</u>

**Note 5 – Property**

(In millions)	June 30, 2010	December 31, 2009
Land and land improvements	\$ 41.0	\$ 40.7
Buildings	280.9	277.0
Machinery and equipment	891.7	916.5
	1,213.6	1,234.2
Less accumulated depreciation and amortization	(849.9)	(841.8)
	<u>\$ 363.7</u>	<u>\$ 392.4</u>

**Note 6 – Income Taxes**

Income tax expense was \$6.9 million for the second quarter of 2010 compared to \$6.3 million in the second quarter of 2009. For the first half of 2010, we recognized income tax expense of \$10.9 million compared to a benefit of \$2.5 million in the first half of 2009. We record our interim provision for income taxes based on our estimated annual effective tax rate as well as certain items discrete to the current period. Our interim provision as well as our estimated annual effective tax rate is impacted by a number of factors including our U.S. federal and state and foreign income tax loss carryforwards and our ability to use them as well as changes to our unrealized tax benefits.

We decreased existing valuation allowances against our deferred tax assets by \$12.9 million and \$16.5 million, respectively, in the second quarter and first half of 2010. The related non-cash benefit to income tax expense was \$12.2 million and \$15.1 million, respectively, and related to various U.S. federal, state, local, and foreign deferred tax assets. We were able to realize these benefits and reduce our valuation allowance primarily as a result of generating positive pretax income during the second quarter and first half of 2010.

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We increased existing valuation allowances against our deferred tax assets by \$7.7 million in the first half of 2009. This non-cash charge to income tax expense related to various U.S. federal, state, local, and foreign deferred tax assets. Also, during the second quarter and first half of 2009, we recognized \$7.0 million of income tax expense and \$3.0 million of income tax benefit, respectively, including related interest and penalties associated with uncertain tax positions.

We recognize interest and penalties related to uncertain income tax items in the provision for income taxes.

**Note 7 – Investment in Equity Affiliates**

The results of operations of SunBelt Chlor-Alkali Partnership (SunBelt) are included in the SunBelt Joint Venture segment. We own 50% of SunBelt.

The following table presents SunBelt’s summarized financial results for the periods indicated:

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	\$ 41.4	\$ 45.7	\$ 69.0	\$ 98.2
Operating income	\$ 16.3	\$ 20.1	\$ 19.7	\$ 47.6
Partnership income as reported by SunBelt	\$ 14.2	\$ 18.1	\$ 15.8	\$ 43.6
Equity affiliate earnings recorded by PolyOne	\$ 7.1	\$ 9.0	\$ 7.9	\$ 21.8

(In millions)	June 30, 2010	December 31, 2009
Current assets	\$ 39.5	\$ 16.1
Non-current assets	86.5	94.1
Total assets	126.0	110.2
Current liabilities	21.4	21.4
Non-current liabilities	85.3	85.3
Total liabilities	106.7	106.7
Partnership capital	\$ 19.3	\$ 3.5

Other investments in equity affiliates are discussed below.

We own 50% of BayOne Urethane Systems, L.L.C. (BayOne), which is included in the Global Color, Additives and Inks operating segment. Through its disposition on October 13, 2009, the former Geon Polimeros Andinos equity affiliate (owned 50%) was included in the Performance Products and Solutions operating segment. Combined summarized financial information for these equity affiliates follows.

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
As reported by other equity affiliates:				
Net sales	\$ 14.5	\$ 22.2	\$ 27.1	\$ 42.4
Operating income	\$ 1.4	\$ 2.5	\$ 2.8	\$ 3.6
Partnership income	\$ 1.4	\$ 2.1	\$ 2.8	\$ 3.1
Equity affiliate earnings recorded by PolyOne	\$ 0.7	\$ 1.1	\$ 1.4	\$ 1.6

**Note 8 – Weighted-Average Shares Used in Computing Earnings Per Share**

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	Adjusted 2009	2010	2009
Weighted-average shares outstanding – basic	92.8	92.4	92.7	92.3
Weighted-average shares – diluted:				
Weighted-average shares outstanding – basic	92.8	92.4	92.7	92.3
Plus dilutive impact of stock options and awards	3.5	—	2.9	—
Weighted-average shares – diluted	96.3	92.4	95.6	92.3

Basic earnings per common share is computed as net income available to common shareholders divided by the weighted average basic shares outstanding. Diluted earnings per common share is computed as net income available to common shareholders divided by the weighted average diluted shares outstanding. Pursuant to FASB ASC Topic 260, *Earnings Per Share*, when a loss is reported the denominator of diluted earnings per share cannot be adjusted for the dilutive impact of stock options and awards because doing so will result in anti-dilution. Therefore, for the three-month and six-month periods ended June 30, 2009, basic weighted-average shares outstanding are used in calculating diluted earnings per share.

Outstanding stock options with exercise prices greater than the average price of the common shares and certain other awards are anti-dilutive and are not included in the computation of diluted earnings per share. For the three-month and six-month periods ended June 30, 2010, 1.0 million of these options and awards were excluded from the computation of diluted earnings per share. Since we reported a net loss for the three-month and six-month periods ended June 30, 2009, all stock options and awards, which totaled 7.8 million at June 30, 2009, were excluded from the computation of the diluted loss per share because their effect would have been anti-dilutive.

**Note 9 – Employee Separation and Plant Phaseout**

Management has undertaken certain restructuring initiatives to improve profitability and, as a result, we incurred employee separation and plant phaseout costs. Employee separation and plant phaseout costs are reflected on the line *Corporate and eliminations* in Note 13, *Segment Information*. For further discussion of these initiatives, see Note 3, *Employee Separation and Plant Phaseout*, to the consolidated financial statements and the accompanying notes included in PolyOne’s Annual Report on Form 10-K for the year ended December 31, 2009.

A summary of total employee separation and plant phaseout costs for the three-month and six-month periods ended June 30, 2010 and 2009, including where the charges are recorded in the accompanying condensed consolidated statements of operations, follows:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Cost of sales	\$ 0.3	\$ 2.9	\$ 0.3	\$ 12.7
Selling and administrative	0.3	0.1	0.3	0.4
Total employee separation and plant phaseout	\$ 0.6	\$ 3.0	\$ 0.6	\$ 13.1

Cash payments during the three-month periods ended June 30, 2010 and 2009 were \$0.8 million and \$12.5 million, respectively. Cash payments during the six-month periods ended June 30, 2010 and 2009 were \$2.9 million and \$20.5 million, respectively. Included in *Cost of sales* for the six-month periods ended June 30, 2010 and 2009 were charges of \$0.2 million and \$5.4 million, respectively, for accelerated depreciation on assets related to these restructuring initiatives, all of which were recognized during the first quarter of each respective year.

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The following table details the charges and changes to the reserves associated with these restructuring initiatives for the six-month period ended June 30, 2010:

(Dollars in millions)	Employee Separation Costs	Plant Phaseout Costs		Total
		Cash Closure	Asset Write-downs	
<b>Realignment of certain manufacturing plants</b>				
Balance at January 1, 2010	\$ 3.0	\$ 1.7	\$ —	\$ 4.7
Charge	0.5	0.1	—	0.6
Utilized	(2.4)	(1.8)	—	(4.2)
Impact of foreign currency translation	—	0.1	—	0.1
Balance at June 30, 2010	<u>\$ 1.1</u>	<u>\$ 0.1</u>	<u>\$ —</u>	<u>\$ 1.2</u>

We do not expect to incur significant expenses associated with these activities in 2010.

### Note 10 – Employee Benefit Plans

Components of defined benefit pension plan costs are as follows:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Service cost	\$ 0.4	\$ 0.4	\$ 0.8	\$ 0.7
Interest cost	7.4	7.8	14.8	15.7
Expected return on plan assets	(6.5)	(5.4)	(13.0)	(10.8)
Amortization of unrecognized losses, transition obligation and prior service costs, including curtailment gain recognized in 2009	2.5	2.9	5.0	8.0
	<u>\$ 3.8</u>	<u>\$ 5.7</u>	<u>\$ 7.6</u>	<u>\$ 13.6</u>

Components of post-retirement health care plan benefit costs are as follows:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Service cost	\$ —	\$ 0.1	\$ —	\$ 0.1
Interest cost	0.3	1.4	0.7	2.9
Expected return on plan assets	—	—	—	—
Amortization of unrecognized losses, transition obligation and prior service cost	(4.2)	(0.9)	(8.4)	(1.8)
	<u>\$ (3.9)</u>	<u>\$ 0.6</u>	<u>\$ (7.7)</u>	<u>\$ 1.2</u>

On January 15, 2009, our Board of Directors approved and adopted changes to the Geon Pension Plan (Geon Plan), the Benefit Restoration Plan (BRP), the voluntary retirement savings plan (RSP) and the Supplemental Retirement Benefit Plan (SRP). Effective March 20, 2009, the amendments permanently froze future benefit accruals and provided that participants will not receive credit under the Geon Plan or the BRP for any eligible earnings paid on or after that date.

On September 1, 2009, we adopted changes to our post-retirement healthcare plan whereby, effective January 1, 2010, the plan, for certain eligible retirees, was discontinued, and benefits will be phased out through December 31, 2012.

[Table of Contents](#)**Note 11 – Financing Arrangements**

**Short-term debt** – At June 30, 2010, \$0.4 million of short-term notes issued by certain of our European subsidiaries were outstanding.

**Long-term debt** – Long-term debt consisted of the following:

(Dollars in millions)	June 30, 2010 <sup>(1)</sup>	December 31, 2009 <sup>(1)</sup>
8.875% senior notes due May 2012	\$ 279.6	\$ 279.5
7.500% debentures due December 2015	50.0	50.0
Medium-term notes:		
6.52% medium-term notes due February 2010	—	19.9
6.58% medium-term notes due February 2011	19.8	19.7
Credit facility borrowings, facility expires March 2011	40.0	40.0
Total long-term debt	\$ 389.4	\$ 409.1
Less current portion	59.8	19.9
Total long-term debt, net of current portion	\$ 329.6	\$ 389.2

(1) Book values include unamortized discounts, as applicable.

Current maturities of long-term debt at June 30, 2010 includes \$19.8 million of our 6.58% medium-term notes due February 2011 and \$40.0 million of borrowings on our credit facility. On July 7, 2010, we repaid \$40 million of outstanding borrowings from Citicorp USA, Inc. and also terminated the related commitments under our \$40 million unsecured revolving and letter of credit facility, which was scheduled to mature on March 20, 2011.

We are exposed to market risk from changes in interest rates on debt obligations and from changes in foreign currency exchange rates. Information about these risks and exposure management is included in Item 7A “Qualitative and Quantitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2009. There have been no material changes in the market risk faced by PolyOne from December 31, 2009 to June 30, 2010.

**Note 12 – Sale of Accounts Receivable**

Accounts receivable consist of the following:

(In millions)	June 30, 2010	December 31, 2009
Trade accounts receivable	\$ 152.6	\$ 129.2
Retained interest in securitized accounts receivable	213.9	151.1
Allowance for doubtful accounts	(5.7)	(5.9)
	\$ 360.8	\$ 274.4

**Sale of Accounts Receivable** — Under the terms of our receivables sale facility, we sell accounts receivable to PolyOne Funding Corporation (PFC) and PolyOne Funding Canada Corporation (PFCC), both wholly-owned, bankruptcy-remote subsidiaries. PFC and PFCC, in turn, may sell an undivided interest in up to \$175.0 million and \$25.0 million of these accounts receivable, respectively, to certain investors. The receivables sale facility matures in June 2012. As of June 30, 2010 and December 31, 2009, accounts receivable totaling \$213.9 million and \$151.1 million, respectively, were sold by us to PFC and PFCC. The maximum proceeds that PFC and PFCC may receive under the facility is limited to the lesser of \$200.0 million or 85% of the eligible domestic and Canadian accounts receivable sold. As of June 30, 2010 and December 31, 2009, neither PFC nor PFCC had sold any of their undivided interests in accounts receivable.

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The receivables sale facility also makes up to \$40.0 million available for the issuance of standby letters of credit as a sub-limit within the \$200.0 million limit under the facility, of which \$13.7 million was used at June 30, 2010. The level of availability under the receivables sale facility is based on the prior month's total accounts receivable sold to PFC and PFCC, as reduced by outstanding letters of credit. Additionally, availability is dependent upon compliance with a fixed charge coverage ratio covenant related primarily to operating performance that is set forth in the related agreements. As of June 30, 2010, we were in compliance with these covenants. As of June 30, 2010, \$153.6 million of securitized accounts receivable were available for sale.

### Note 13 – Segment Information

On February 4, 2010, we announced a new global organization structure that will help us better serve our global customers, drive our earnings growth, better execute our strategy, and leverage our strong geographic footprint. Our former International Color and Engineered Materials operating segment has been split and is now reported within the Global Specialty Engineered Materials operating segment and the Global Color, Additives and Inks operating segment. In addition, our former Resins and Intermediates segment is now referred to as the SunBelt Joint Venture. We now have five reportable segments: (1) Global Color, Additives and Inks; (2) Global Specialty Engineered Materials; (3) Performance Products and Solutions; (4) PolyOne Distribution; and (5) SunBelt Joint Venture.

As a result of these changes to PolyOne's segment structure, prior period segment information was reclassified to conform to the 2010 presentation. These changes did not impact total segment results.

Segment information for the three-month and six-month periods ended June 30, 2010 and 2009, adjusted to reflect our new segment reporting structure and change in accounting principle follows:

(In millions)	Three Months Ended June 30, 2010			Adjusted Three Months Ended June 30, 2009		
	Sales to External Customers	Total Sales	Segment Operating Income	Sales to External Customers	Total Sales	Segment Operating Income (Loss)
Global Specialty Engineered Materials	\$ 119.0	\$ 127.5	\$ 12.1	\$ 91.1	\$ 96.2	\$ 5.7
Global Color, Additives and Inks	136.6	137.1	11.6	117.5	118.1	6.2
Performance Products and Solutions	196.8	218.5	17.6	153.3	170.3	12.4
PolyOne Distribution	240.5	241.4	11.6	134.6	135.1	3.9
SunBelt Joint Venture	—	—	6.1	—	—	8.0
Corporate and eliminations	—	(31.6)	2.5	—	(23.2)	(22.3)
<b>Total</b>	<b>\$ 692.9</b>	<b>\$ 692.9</b>	<b>\$ 61.5</b>	<b>\$ 496.5</b>	<b>\$ 496.5</b>	<b>\$ 13.9</b>

(In millions)	Six Months Ended June 30, 2010			Adjusted Six Months Ended June 30, 2009		
	Sales to External Customers	Total Sales	Segment Operating Income (Loss)	Sales to External Customers	Total Sales	Segment Operating Income (Loss)
Global Specialty Engineered Materials	\$ 238.0	\$ 253.8	\$ 24.2	\$ 172.2	\$ 182.8	\$ 4.2
Global Color, Additives and Inks	266.6	268.0	20.5	220.7	221.8	7.6
Performance Products and Solutions	363.2	402.2	29.7	295.9	329.1	13.5
PolyOne Distribution	455.5	457.3	20.2	271.1	272.0	8.8
SunBelt Joint Venture	—	—	5.8	—	—	19.7
Corporate and eliminations	—	(58.0)	(7.8)	—	(45.8)	(51.0)
<b>Total</b>	<b>\$ 1,323.3</b>	<b>\$ 1,323.3</b>	<b>\$ 92.6</b>	<b>\$ 959.9</b>	<b>\$ 959.9</b>	<b>\$ 2.8</b>



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(In millions)	Total Assets	
	June 30, 2010	Adjusted December 31, 2009
Global Specialty Engineered Materials	\$ 343.3	\$ 324.1
Global Color, Additives and Inks	345.8	344.7
Performance Products and Solutions	319.5	282.6
PolyOne Distribution	200.2	152.9
SunBelt Joint Venture	10.2	2.0
Corporate and eliminations	312.0	309.7
Total	<u>\$ 1,531.0</u>	<u>\$ 1,416.0</u>

### Note 14 – Commitments and Contingencies

We have been notified by federal and state environmental agencies and by private parties that we may be a potentially responsible party (PRP) in connection with the investigation and remediation of certain environmental waste disposal sites. While government agencies frequently assert that PRPs are jointly and severally liable at these sites, in our experience, the interim and final allocations of liability costs are generally made based on the relative contribution of waste. We believe that our potential continuing liability with respect to these sites will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. In addition, we initiate corrective and preventive environmental projects of our own to ensure safe and lawful activities at our operations. We believe that compliance with current governmental regulations at all levels will not have a material adverse effect on our financial condition.

During the six-month periods ended June 30, 2010 and 2009, we recognized \$6.3 million and \$2.9 million, respectively, of expense related to environmental activities at all of our active and inactive sites. During the six-month period ended June 30, 2010, we received \$14.4 million of proceeds from insurance recoveries. During the six-month period ended June 30, 2009, we did not receive any proceeds from insurance recoveries.

Based on estimates that were prepared by our environmental engineers and consultants, we had accrued \$79.6 million at June 30, 2010 and \$81.7 million at December 31, 2009 for probable future environmental expenditures related to previously contaminated sites. The accruals represent our best estimate of the remaining probable remediation costs, based upon information and technology that is currently available and our view of the most likely remedy. Depending upon the results of future testing, the ultimate remediation alternatives undertaken, changes in regulations, new information, newly discovered conditions and other factors, it is reasonably possible that we could incur additional costs in excess of the amount accrued at June 30, 2010. However, such additional costs, if any, cannot be currently estimated. Our estimate of the liability may be revised as new regulations or technologies are developed or additional information is obtained. Additional information related to environmental liabilities is in Note 12, *Commitments and Related-Party Information*, to the consolidated financial statements included in PolyOne's Annual Report on Form 10-K for the year ended December 31, 2009.

We guarantee \$48.8 million of SunBelt's outstanding senior secured notes in connection with the construction of a chlor-alkali facility in McIntosh, Alabama. This debt matures in equal annual installments through 2017.

### Note 15 – Financial Instruments

The estimated fair values of financial instruments were principally based on market prices where such prices were available and, where unavailable, fair values were estimated based on market prices of similar instruments. Short-term foreign exchange contracts are the only asset or liability recorded at fair value on a recurring basis. These contracts are measured based on exchange rates at June 30, 2010 and classified as a level 2 fair value measurement within the fair value hierarchy.

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The following table summarizes the contractual amounts of our foreign exchange contracts as of June 30, 2010. Foreign currency amounts are translated at exchange rates as of June 30, 2010. The “Buy” amounts represent the U.S. dollar equivalent of commitments to purchase currencies, and the “Sell” amounts represent the U.S. dollar equivalent of commitments to sell currencies.

Currency (In millions)	June 30, 2010	
	Buy	Sell
U.S. Dollar	\$53.7	
Euro		\$49.8
British pound		\$ 3.9

The carrying amounts and fair values of our financial instruments as of June 30, 2010 and December 31, 2009 are as follows:

(In millions)	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$241.1	\$241.1	\$222.7	\$222.7
Long-term debt				
Credit facility borrowings	40.0	40.0	40.0	40.0
7.500% debentures	50.0	49.0	50.0	45.8
8.875% senior notes	279.6	291.9	279.5	285.1
Medium-term notes	19.8	20.0	39.6	38.4
Foreign exchange contracts	0.3	0.3	0.5	0.5

### Note 16 – Comprehensive Income

The following table sets forth the reconciliation of net income (loss) to comprehensive income:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income (loss)	\$ 45.7	\$ (1.9)	\$ 64.1	\$ (19.6)
Amortization of unrecognized losses, transition obligation and prior service costs, net of tax expense of \$0.8	(0.9)	2.3	(2.6)	6.2
Net gain occurring in the year due to plan amendments (See Note 10)	—	—	—	18.5
Translation adjustment	(9.8)	7.3	(14.7)	(1.1)
Other	(0.1)	0.1	(0.1)	0.1
Total comprehensive income	<u>\$ 34.9</u>	<u>\$ 7.8</u>	<u>\$ 46.7</u>	<u>\$ 4.1</u>

### Note 17 – Subsequent Events

On July 7, 2010, we repaid \$40 million of outstanding borrowings from Citicorp USA, Inc. and also terminated the related commitments under our \$40 million unsecured revolving and letter of credit facility, which was scheduled to mature on March 20, 2011.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Our Business

We are a premier provider of specialized polymer materials, services and solutions with operations in thermoplastic compounds, specialty polymer formulations, color and additive systems, thermoplastic resin distribution and specialty vinyl resins. We also have two equity investments: one in a manufacturer of caustic soda and chlorine and one in a formulator of polyurethane compounds. Headquartered in Avon Lake, Ohio, we have employees at manufacturing sites and distribution facilities in North America, Europe and Asia and joint ventures in North America. We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain to provide an essential link between large chemical producers (our raw material suppliers) and designers, assemblers and processors of plastics (our customers).

### Recent Developments

#### *Change in Accounting Principle*

Effective January 1, 2010, we elected to change our method of valuing inventories for certain U.S. businesses to the first-in, first-out (FIFO) method, while in prior years, these inventories were valued using the last-in, first-out (LIFO) method. As a result of this change, all inventories are valued using the FIFO method. We believe the FIFO method is preferable as it conforms the inventory costing methods for all of our inventories to a single method and improves comparability with our industry peers. The FIFO method also better reflects current acquisition cost of those inventories on our consolidated balance sheets. All prior periods presented herein have been adjusted to apply the new method retrospectively and conform to the current costing methodology.

### Highlights and Executive Summary

#### *Selected Financial Data*

(In millions)	Three-month period ended June 30,		Six-month period ended June 30,	
	2010	2009 Adjusted	2010	2009 Adjusted
Sales	\$692.9	\$496.5	\$1,323.3	\$959.9
Operating income	61.5	13.9	92.6	2.8
Net income (loss)	45.7	(1.9)	64.1	(19.6)

Sales increased 39.6% and 37.9% in the second quarter and first half of 2010, respectively, as compared to the second quarter and first half of 2009. Volumes in the second quarter and first half of 2010 increased 27.3% and 27.1%, respectively, versus the corresponding periods in 2009. Additionally, sales were favorably impacted by a higher value sales mix and increased market pricing associated with raw material inflation. Sales increased across most of our end markets in the second quarter and first half of 2010 as compared to the corresponding periods in 2009. In North America, sales increased 47.6% and 40.4% in the second quarter and first half of 2010, respectively, led by the transportation, consumer, healthcare and industrial end markets. In Europe, sales increased 14.7% and 25.8% in the second quarter and first half of 2010, respectively, led by the transportation and wire and cable end markets. In Asia, sales increased 29.0% and 44.1% in the second quarter and first half of 2010, respectively, led by the electrical and electronics end markets.

Operating income increased in the second quarter of 2010 compared to the second quarter of 2009, reflecting an increase in volumes, the favorable impact of improved sales mix and new business gains and the realization of restructuring savings. Gains from insurance and legal settlements of \$18.4 million favorably impacted operating income in the second quarter of 2010. These positive items were partially offset in the second quarter of 2010 by lower income from our equity investment in SunBelt Chlor-Alkali Partnership (SunBelt) of \$1.9 million.

Operating income increased in the first half of 2010 compared to the first half of 2009, reflecting an increase in volumes, the favorable impact of improved sales mix and new business gains and the realization of restructuring savings. Gains from insurance and legal settlements of \$21.6 million favorably impacted operating income in the first half of 2010. Charges related to environmental remediation and plant related restructuring were \$6.9 million in the first half of 2010.

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versus \$16.0 in the first half of 2009. Additionally, operating income for the first half of 2009 included a \$5.0 million charge related to the adjustment to our 2008 estimated year-end goodwill impairment charge as compared to no such charge in the first half of 2010. These positive items were partially offset in the first half of 2010 by lower income from our equity investment in SunBelt of \$13.9 million.

Net income increased primarily due to the items discussed above. In addition, *Other expense, net* decreased by approximately \$5.4 million in the first half of 2010 primarily due to decreased foreign exchange losses. Income tax expense was \$10.9 million in the first half of 2010 as compared to a benefit of \$2.5 million in the first half of 2009.

(In millions)	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Cash and cash equivalents	\$ 241.1	\$ 222.7
Accounts receivable facility availability	153.6	112.8
Liquidity	<u>\$ 394.7</u>	<u>\$ 335.5</u>
Debt, short- and long-term	\$ 389.8	\$ 409.6

In the first half of 2010, liquidity increased by \$59.2 million. The increase in our cash balance of \$18.4 million includes proceeds of \$21.6 million from insurance and legal settlements and \$9.8 million from the sale of our investment in, and related seller note receivable from, O'Sullivan Films, which was partially offset by the repayment of \$20.0 million aggregate principal of our 6.52% medium-term notes. The increase in our accounts receivable facility availability reflects an increase in sales.

### Results of Operations – Three-Month Period Ended June 30, 2010 vs. Three-Month Period Ended June 30, 2009

(Dollars in millions, except per share data)	<u>Three Months Ended June 30,</u>		<u>Variance—Favorable</u>	
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
Sales	\$ 692.9	\$ 496.5	\$ 196.4	39.6%
Cost of sales	566.2	415.6	(150.6)	(36.2)%
Gross margin	126.7	80.9	45.8	56.6%
Selling and administrative	73.0	77.1	4.1	5.3%
Income from equity affiliates and minority interest	7.8	10.1	(2.3)	(22.8)%
Operating income	61.5	13.9	47.6	342.4%
Interest expense, net	(7.7)	(8.8)	1.1	(12.5)%
Other expense, net	(1.2)	(0.7)	(0.5)	71.4%
Income before income taxes	52.6	4.4	48.2	NM
Income tax expense	(6.9)	(6.3)	(0.6)	9.5%
Net income	<u>\$ 45.7</u>	<u>\$ (1.9)</u>	<u>\$ 47.6</u>	NM
Basic earnings (loss) per common share	<u>\$ 0.49</u>	<u>\$ (0.02)</u>		
Diluted earnings (loss) per common share	<u>\$ 0.47</u>	<u>\$ (0.02)</u>		

NM – Not meaningful

#### Sales

Sales increased 39.6% in the second quarter of 2010 as compared to the second quarter of 2009. Volumes increased 27.3% versus the comparable period in 2009. Additionally, sales were favorably impacted by a higher value sales mix and increased market pricing principally associated with raw material inflation. These positive items were partially offset by the impact of unfavorable changes in currency exchange rates of 1%, primarily due to a weaker euro.

#### Cost of Sales

These costs include raw materials, plant conversion, distribution, environmental remediation and plant related restructuring charges. As a percentage of sales, these costs declined to 81.7% of sales in the second quarter of 2010 as

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compared to 83.7% in the second quarter of 2009. Cost of sales as a percentage of sales was favorably impacted in the second quarter of 2010 by gains of \$15.9 million associated with insurance settlements and savings associated with our Lean Six Sigma improvement initiatives, partially offset by a higher mix of sales from our Distribution business, which has lower gross margin percentages than our other businesses.

### *Selling and Administrative*

These costs include selling, technology, administrative functions, corporate and general expenses and amortization of intangible assets. Selling and administrative costs decreased in the second quarter of 2010 as compared to the second quarter of 2009 due primarily to lower pension and other post-employment benefit expenses and the impact of changes in currency exchange rates. Partially offsetting these gains were increased incentive compensation expense resulting from improved performance results.

### *Income from Equity Affiliates*

*Income from equity affiliates* is summarized as follows:

(In millions)	Three Months Ended June 30,	
	2010	2009
SunBelt	\$ 7.1	\$ 9.0
Other equity affiliates	0.7	1.1
	<u>\$ 7.8</u>	<u>\$ 10.1</u>

During the second quarter of 2010, *Income from equity affiliates* decreased as compared to the corresponding period in 2009 due to lower earnings from our SunBelt joint venture driven primarily by lower caustic soda prices. The negative impact of caustic soda pricing was partially offset by the favorable impact of increased volume for caustic soda and improved pricing and volume for chlorine as compared to the second quarter of 2009.

### *Interest Expense, net*

*Interest expense, net* decreased in the second quarter of 2010 as compared to the second quarter of 2009 due primarily to lower average borrowing levels.

Included in *Interest expense, net* for each of the three months ended June 30, 2010 and 2009 is interest income of \$0.8 million.

### *Other Expense, net*

Financing costs associated with our receivables sale facility, foreign currency gains and losses and other miscellaneous items were as follows:

(In millions)	Three Months Ended June 30,	
	2010	2009
Currency exchange (loss) gain	\$ (5.4)	\$ 3.8
Foreign exchange contracts gains (losses), net	4.8	(3.9)
Receivables sale facility fees	(0.4)	(0.3)
Other expense, net	(0.2)	(0.3)
Other expense, net	<u>\$ (1.2)</u>	<u>\$ (0.7)</u>

### *Income Tax (Expense) Benefit*

For the second quarter of 2010, we recognized income tax expense of \$6.9 million compared to \$6.3 million in the second quarter of 2009. Valuation allowances against our deferred tax assets decreased by \$12.9 million in the second quarter of 2010 as a result of our positive pretax income during that period. The related non-cash benefit to income tax expense was \$12.2 million and was associated with various U.S. federal, state, local, and foreign deferred tax assets.

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During the second quarter of 2009 we recognized \$7.0 million of tax expense, including the related interest and penalties, associated with uncertain tax positions, partially offset by a \$2.6 million tax benefit associated with a decrease in the valuation allowance.

### Results of Operations – Six-Month Period Ended June 30, 2010 vs. Six-Month Period Ended June 30, 2009

(Dollars in millions, except per share data)	Six Months Ended June 30,		Variances—Favorable (Unfavorable)	
	2010	2009	Change	% Change
Sales	\$ 1,323.3	\$ 959.9	\$ 363.4	37.9%
Cost of sales	1,093.1	828.2	(264.9)	(32.0)%
Gross margin	230.2	131.7	98.5	74.8%
Selling and administrative	146.9	147.3	0.4	0.3%
Adjustment to impairment of goodwill	—	5.0	(5.0)	NM
Income from equity affiliates and minority interest	9.3	23.4	14.1	(60.3)%
Operating income	92.6	2.8	89.8	NM
Interest expense, net	(15.7)	(17.6)	1.9	10.8%
Other expense, net	(1.9)	(7.3)	5.4	74.0%
Income (loss) before income taxes	75.0	(22.1)	97.1	NM
Income tax (expense) benefit	(10.9)	2.5	(13.4)	NM
Net income (loss)	<u>\$ 64.1</u>	<u>\$ (19.6)</u>	<u>\$ 83.7</u>	NM
Basic earnings (loss) per common share	<u>\$ 0.69</u>	<u>\$ (0.21)</u>		
Diluted earnings (loss) per common share	<u>\$ 0.67</u>	<u>\$ (0.21)</u>		

NM – Not meaningful

#### Sales

Sales increased 37.9% in the first half of 2010 as compared to the first half of 2009. Volumes in the first half of 2010 increased 27.1% versus the comparable period in 2009. Additionally, sales were favorably impacted by a higher value sales mix and increased market pricing associated with raw material inflation.

#### Cost of Sales

Cost of sales declined to 82.6% of sales in the first half of 2010 as compared to 86.3% in the first half of 2009. Cost of sales was favorably impacted in the first half of 2010 by gains of \$19.1 million associated with insurance settlements, the realization of savings associated with the previously announced plant realignment activities and savings associated with our Lean Six Sigma initiatives. Charges related to environmental remediation and plant related restructuring in cost of sales was \$6.6 million in the first half of 2010 as compared to \$15.6 million in the first half of 2009. Sales from our Distribution business, which has lower gross margin percentages than our other businesses, increased from 28.3% to 34.6% of total PolyOne sales in the first half of 2010 as compared to the first half of 2009.

#### Selling and Administrative

Selling and administrative costs decreased in the first half of 2010 as compared to the first half of 2009 due to lower pension and other post-employment benefit expenses and savings associated with our previously announced restructuring activities. These items were partially offset by increased incentive compensation expense resulting from improved performance results and unfavorable changes in currency exchange rates.

#### Adjustment to Impairment of Goodwill (2009)

During the fourth quarter of 2008, we identified indicators of potential impairment and evaluated the carrying values of goodwill and other intangible and long-lived assets. Due to the extensive work involved in performing the related asset appraisals, we initially recognized a preliminary estimate of the impairment loss of \$170.0 million in 2008. Upon

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completion of the analysis in the first quarter of 2009, we revised our estimate of goodwill impairment to \$175.0 million, and, accordingly, we recorded \$5.0 million of additional goodwill impairment. There were no such charges in the first half of 2010.

### *Income from Equity Affiliates*

*Income from equity affiliates* is summarized as follows:

(In millions)	Six Months Ended June 30,	
	2010	2009
SunBelt	\$ 7.9	\$ 21.8
Other equity affiliates	1.4	1.6
	<u>\$ 9.3</u>	<u>\$ 23.4</u>

During the first half of 2010, *Income from equity affiliates* decreased as compared to the corresponding period in 2009 due to lower earnings from our SunBelt joint venture driven primarily by lower caustic soda prices. The negative impact of caustic soda pricing was partially offset by the favorable impact of increased volume for caustic soda and improved pricing and volume for chlorine as compared to the first half of 2009.

### *Interest Expense, Net*

Interest expense, net decreased \$1.9 million for the first half of 2010 as compared to the first half of 2009 due primarily to lower average borrowing levels.

Included in *Interest expense, net* for the first half of 2010 and 2009 was interest income of \$1.6 million and \$1.5 million, respectively.

### *Other Expense, Net*

Financing costs associated with our receivables sale facility, foreign currency gains and losses and other miscellaneous items were as follows:

(In millions)	Six Months Ended June 30,	
	2010	2009
Currency exchange loss	\$ (9.4)	\$ (0.4)
Foreign exchange contracts gains (losses), net	8.4	(6.1)
Receivables sale facility fees	(0.7)	(0.6)
Other expense, net	(0.2)	(0.2)
Other expense, net	<u>\$ (1.9)</u>	<u>\$ (7.3)</u>

### *Income Tax (Expense) Benefit*

For the first half of 2010, we recognized income tax expense of \$10.9 million compared to an income tax benefit of \$2.5 million in the first half of 2009. Valuation allowances against our deferred tax assets decreased by \$16.5 million in the first half of 2010 as a result of generating positive pretax income during that period. The related non-cash benefit to income tax expense was \$15.1 million and related to various U.S. federal, state, local, and foreign deferred tax assets. In the first half of 2009, we increased existing valuation allowances against our deferred tax assets by \$7.7 million. We recognized \$3.0 million of income tax benefit and related interest income due to adjustments of liability estimates related to foreign tax audits.

## **SEGMENT INFORMATION**

Operating income is the primary financial measure that is reported to the chief operating decision maker for purposes of allocating resources to the segment and assessing its performance. Operating income at the segment level does not include: corporate general and administrative costs that are not allocated to segments; intersegment sales and profit

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eliminations; charges related to specific strategic initiatives, such as the consolidation of operations; restructuring activities, including employee separation costs resulting from personnel reduction programs, plant closure and phaseout costs; executive separation agreements; share-based compensation costs; asset and goodwill impairments; environmental remediation costs for facilities no longer owned or closed in prior years; gains and losses on the divestiture of joint ventures and equity investments; and certain other items that are not included in the measure of segment profit or loss that is reported to and reviewed by the chief operating decision maker. These costs are included in *Corporate and eliminations*.

During the first quarter of 2010, we announced our new global organization structure that will help us better serve our global customers, drive our earnings growth, better execute our strategy, and leverage our strong geographic footprint. As a result, our former International Color and Engineered Materials operating segment has been split and is now reported within the Global Specialty Engineered Materials operating segment and the Global Color, Additives and Inks operating segment. In addition, our former Resin and Intermediates segment is now referred to as the SunBelt Joint Venture. As a result of these changes, we now have five reportable segments: (1) Global Color, Additives and Inks; (2) Global Specialty Engineered Materials; (3) Performance Products and Solutions; (4) PolyOne Distribution; and (5) SunBelt Joint Venture.

As a result of these changes to PolyOne's segment structure, all prior period segment information was reclassified to conform to the 2010 presentation. These changes did not impact total segment results.

### Sales and Operating Income – Three Months Ended June 30, 2010 compared to Three Months Ended June 30, 2009:

(Dollars in millions)	Three Months Ended June 30,		Change	% Change
	2010	2009		
<b>Sales:</b>				
Global Specialty Engineered Materials	\$ 127.5	\$ 96.2	\$ 31.3	32.5%
Global Color, Additives and Inks	137.1	118.1	19.0	16.1%
Performance Products and Solutions	218.5	170.3	48.2	28.3%
PolyOne Distribution	241.4	135.1	106.3	78.7%
Corporate and eliminations	(31.6)	(23.2)	(8.4)	36.2%
	<u>\$ 692.9</u>	<u>\$ 496.5</u>	<u>\$ 196.4</u>	<u>39.6%</u>
<b>Operating income (loss):</b>				
Global Specialty Engineered Materials	\$ 12.1	\$ 5.7	\$ 6.4	112.3%
Global Color, Additives and Inks	11.6	6.2	5.4	87.1%
Performance Products and Solutions	17.6	12.4	5.2	41.9%
PolyOne Distribution	11.6	3.9	7.7	197.4%
SunBelt Joint Venture	6.1	8.0	(1.9)	(23.8)%
Corporate and eliminations	2.5	(22.3)	24.8	(111.2)%
	<u>\$ 61.5</u>	<u>\$ 13.9</u>	<u>\$ 47.6</u>	<u>342.4%</u>
<b>Operating income (loss) as a percentage of sales:</b>				
Global Specialty Engineered Materials	9.5%	5.9%	3.6% points	
Global Color, Additives and Inks	8.5%	5.2%	3.3% points	
Performance Products and Solutions	8.1%	7.3%	0.8% points	
PolyOne Distribution	4.8%	2.9%	1.9% points	
Total	8.9%	2.8%	6.1% points	



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### Global Specialty Engineered Materials

Sales increased \$31.3 million, or 32.5%, in the second quarter of 2010 compared to the second quarter of 2009 primarily due to the improved demand in our end markets and a higher value sales mix. Volumes increased 22.0% as compared to the second quarter of 2009 driven by growth in the healthcare, industrial, electrical and electronics and transportation end markets. These items were partially offset by the unfavorable impact of changes in currency exchange rates of approximately 2.0%.

Operating income increased \$6.4 million in the second quarter of 2010 compared to the second quarter of 2009 primarily due to increased volumes, improved mix, and the realization of savings from our restructuring activities. These items were partially offset by an increase in selling and administrative costs, primarily due to increased incentive compensation expenses associated with the improved performance results and the unfavorable impacts of changes in currency exchange rates.

### Global Color, Additives and Inks

Sales increased \$19.0 million, or 16.1%, in the second quarter of 2010 compared to the second quarter of 2009 primarily due to an increase in volumes and a higher value sales mix. Volumes increased 13.6% as compared to the second quarter of 2009, with the largest percentage increases in North America and Europe. In North America, sales increased across most of our end markets, led by industrial and transportation. In Europe, the increase in sales was primarily attributable to the packaging and transportation end markets. These items were partially offset by the unfavorable impact of changes in currency exchange rates of approximately 2.0%.

Operating income increased \$5.4 million in the second quarter of 2010 as compared to the second quarter of 2009 driven by increased volumes, cost reductions from our restructuring initiatives and improved sales mix. These items were partially offset by an increase in selling and administrative costs, primarily due to increased incentive compensation expenses associated with the improved performance results and the unfavorable impact of changes in currency exchange rates.

### Performance Products and Solutions

Sales increased \$48.2 million, or 28.3%, in the second quarter of 2010 compared to the second quarter of 2009 due to an increase in volumes. Volumes increased 27.9% as compared to the second quarter of 2009, driven primarily by improvements in the transportation, industrial, building and construction and wire and cable end markets.

Operating income increased \$5.2 million in the second quarter of 2010 compared to the second quarter of 2009 due to the increase in volumes and savings from our restructuring activities. These items were partially offset by an increase in raw material costs.

### PolyOne Distribution

PolyOne Distribution sales increased \$106.3 million, or 78.7%, in the second quarter of 2010 compared to the second quarter of 2009, reflecting a 33.8% increase in volume and improved mix. The remainder of the increase in sales was due to increased market pricing associated with raw material inflation in the North American plastics and chemicals industry, as our Distribution business is largely a pass through for raw material costs from our suppliers.

Operating income increased \$7.7 million in the second quarter of 2010 compared to the second quarter of 2009 due to the increase in volume and a more profitable mix of products sold. These items were partially offset by an increase in selling and administrative costs, primarily due to increased incentive compensation expenses associated with the improved performance results.

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### SunBelt Joint Venture

Income from the SunBelt Joint Venture declined \$1.9 million in the second quarter of 2010 compared to the second quarter of 2009 primarily due to lower caustic soda pricing. The negative impact of caustic soda pricing was partially offset by the favorable impact of increased volume for caustic soda and improved pricing and volume for chlorine.

### Corporate and Eliminations

The following table breaks down Corporate and eliminations into its various components for the second quarter of 2010 and 2009:

(In millions)	Three Months Ended June 30,	
	2010	2009
Environmental remediation costs	\$ (3.2)	\$ (1.4)
Employee separation and plant phaseout (a)	(0.6)	(3.0)
Share-based compensation	(1.2)	(0.8)
Incentive compensation	(7.5)	(6.7)
Unallocated pension and post-retirement medical expense (b)	1.1	(4.5)
Gains from insurance and legal settlements	18.4	—
All other and eliminations (c)	(4.5)	(5.9)
Total Corporate and eliminations	\$ 2.5	\$ (22.3)

- (a) During the third quarter of 2008, we announced the restructuring of certain manufacturing assets, primarily in North America. In January 2009, we announced the initiation of further cost saving measures that include eliminating approximately 370 jobs, implementing reduced work schedules, closing a facility and idling certain other capacity.
- (b) During the third quarter of 2009, we amended certain of our postretiree healthcare plans whereby benefits to be paid under these plans will be phased out through 2012.
- (c) All other and eliminations is comprised of intersegment eliminations and corporate general and administrative costs that are not allocated to segments.

### **Sales and Operating Income – Six Months Ended June 30, 2010 compared to Six Months Ended June 30, 2009:**

(Dollars in millions)	Six Months Ended June 30,		Change	% Change
	2010	2009		
<b>Sales:</b>				
Global Specialty Engineered Materials	\$ 253.8	\$ 182.8	\$ 71.0	38.8%
Global Color, Additives and Inks	268.0	221.8	46.2	20.8%
Performance Products and Solutions	402.2	329.1	73.1	22.2%
PolyOne Distribution	457.3	272.0	185.3	68.1%
Corporate and eliminations	(58.0)	(45.8)	(12.2)	26.6%
	<u>\$ 1,323.3</u>	<u>\$ 959.9</u>	<u>\$ 363.4</u>	37.9%
<b>Operating income (loss):</b>				
Global Specialty Engineered Materials	\$ 24.2	\$ 4.2	\$ 20.0	476.2%
Global Color, Additives and Inks	20.5	7.6	12.9	169.7%
Performance Products and Solutions	29.7	13.5	16.2	120.0%
PolyOne Distribution	20.2	8.8	11.4	129.5%
SunBelt Joint Venture	5.8	19.7	(13.9)	(70.6)%
Corporate and eliminations	(7.8)	(51.0)	43.2	(84.7)%
	<u>\$ 92.6</u>	<u>\$ 2.8</u>	<u>\$ 89.8</u>	3,207.1%
<b>Operating income (loss) as a percentage of sales:</b>				
Global Specialty Engineered Materials	9.5%	2.3%	7.2% points	
Global Color, Additives and Inks	7.6%	3.4%	4.2% points	
Performance Products and Solutions	7.4%	4.1%	3.3% points	
PolyOne Distribution	4.4%	3.2%	1.2% points	
Total	7.0%	0.3%	6.7% points	

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### Global Specialty Engineered Materials

Sales increased \$71.0 million, or 38.8%, in the first half of 2010 compared to the first half of 2009 primarily due to the improved demand in our end markets and a higher value sales mix. Volumes increased 31.1% as compared to the first half of 2009 driven by growth in the consumer products, wire and cable, transportation, industrial and electrical and electronics end markets.

Operating income increased \$20.0 million in the first half of 2010 as compared to the first half of 2009 primarily due to increased volumes, improved mix and the realization of savings from our restructuring activities. These items were partially offset by an increase in selling and administrative costs, primarily due to increased incentive compensation expenses associated with the improved performance results.

### Global Color, Additives and Inks

Sales increased \$46.2 million, or 20.8%, in the first half of 2010 compared to the first half of 2009 due to an increase in volumes and a higher value sales mix. Volumes increased 16.8% as compared to the first half of 2009, with increases in North America, Europe and Asia. In North America, sales increased across most of our end markets, led by the transportation, packaging and wire and cable end markets. In Europe, the increase in sales was primarily attributable to the building and construction, packaging and wire and cable end markets. In Asia, the increase in sales was primarily attributable to the transportation, building and construction and consumer end markets.

Operating income increased \$12.9 million in the first half of 2010 as compared to the first half of 2009 driven by increased volumes, cost reductions from our restructuring initiatives and improved sales mix. These items were partially offset by an increase in selling and administrative costs, primarily due to increased incentive compensation expenses associated with the improved performance results.

### Performance Products and Solutions

Sales increased \$73.1 million, or 22.2%, in the first half of 2010 compared to the first half of 2009 primarily due to an increase in volumes. Volumes increased 24.9% compared to the first half of 2009, driven primarily by improvements in the transportation, industrial and building and construction end markets. Sales increased less than volumes primarily due to the impact of a higher mix of tolling services provided by our Producer Services business for the automotive industry.

Operating income increased \$16.2 million in the first half of 2010 compared to the first half of 2009 primarily due to the increase in volumes.

### PolyOne Distribution

PolyOne Distribution sales increased \$185.3 million, or 68.1%, in the first half of 2010 compared to the first half of 2009, reflecting a 31.5% increase in volume and higher selling prices associated with raw material inflation in the North American plastics and chemicals industry, as our Distribution business is largely a pass through for raw material costs from our suppliers.

Operating income increased \$11.4 million in the first half of 2010 compared to the first half of 2009 due to the increase in volume and a more profitable mix of products sold. These items were partially offset by an increase in selling and administrative costs, primarily due to increased incentive compensation expenses associated with the improved performance results.

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### SunBelt Joint Venture

Income from the SunBelt Joint Venture declined \$13.9 million in the first half of 2010 compared to the first half of 2009 primarily due to lower caustic soda pricing. The negative impact of caustic soda pricing was partially offset by the favorable impact of increased volume for caustic soda and improved pricing and volume for chlorine.

### Corporate and Eliminations

The following table breaks down Corporate and eliminations into its various components for the first half of 2010 and 2009:

(In millions)	Six Months Ended June 30,	
	2010	2009
Adjustment to impairment of goodwill (a)	\$ —	\$ (5.0)
Environmental remediation costs	(6.3)	(2.9)
Employee separation and plant phaseout (b)	(0.6)	(13.1)
Share-based compensation	(2.1)	(1.4)
Incentive compensation (c)	(15.9)	(8.5)
Unallocated pension and post-retirement medical expense (d)	2.2	(11.9)
Gains from insurance and legal settlements	21.6	—
All other and eliminations (e)	(6.7)	(8.2)
<b>Total Corporate and eliminations</b>	<b>\$ (7.8)</b>	<b>\$ (51.0)</b>

- (a) In the first quarter of 2009, we increased our estimated 2008 year-end goodwill impairment charge of \$170.0 million by \$5.0 million.
- (b) During the third quarter of 2008, we announced the restructuring of certain manufacturing assets, primarily in North America. In January 2009, we announced the initiation of further cost saving measures that include eliminating approximately 370 jobs, implementing reduced work schedules, closing a facility and idling certain other capacity.
- (c) Incentive compensation increased in the first half of 2010 as compared to the first half of 2009 due to improved operating results.
- (d) During the third quarter of 2009, we amended certain of our postretiree healthcare plans whereby benefits to be paid under these plans will be phased out through 2012.
- (e) All other and eliminations is comprised of intersegment eliminations and corporate general and administrative costs that are not allocated to segments.

### **Liquidity and Capital Resources**

(In millions)	June 30, 2010	December 31, 2009
Cash and cash equivalents	\$ 241.1	\$ 222.7
Accounts receivable facility availability	153.6	112.8
<b>Liquidity</b>	<b>\$ 394.7</b>	<b>\$ 335.5</b>

Liquidity is defined as an enterprise's ability to generate adequate amounts of cash to meet both current and future needs. These needs include paying obligations as they mature, maintaining production capacity and providing for planned growth. Capital resources are sources of funds other than those generated by operations.

In the first half of 2010, liquidity increased by \$59.2 million. The increase in our cash balance of \$18.4 million includes proceeds of \$21.6 million from insurance and legal settlements and \$9.8 million from the sale of our investment in, and related seller note receivable from, O'Sullivan Films, which was partially offset by the repayment of \$20.0 million aggregate principal of our 6.52% medium-term notes. The increase in our accounts receivable balance reflects an increase in sales.

### **Cash Flows**

The following discussion focuses on the material components of cash flows from operating, investing and financing activities for the first half of 2010 and 2009.

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**Operating Activities** – In first half of 2010, net cash provided by operating activities was \$41.2 million as compared to \$134.6 million in the first half of 2009. In the first half of 2010, working capital, which we define as accounts receivable plus inventory less accounts payable, increased reflecting our investment in support of our sales growth. In the first half of 2009, net cash provided by operating activities was favorably impacted by working capital improvements, which contributed \$147.2 million. Working capital as a percentage of sales continued to improve, and for the first half of 2010 was 8.9% versus 12.3% for the first half of 2009. Accounts receivable as a percentage of quarterly sales increased to 52.1% as of June 30, 2010 as compared to 49.7% as of December 31, 2009. This increase is due to the fact that our sales are typically lowest in the month of December, and the increase in accounts receivable resulted principally from higher sales in June 2010 versus December 2009. Days sales outstanding over the period from December 31, 2009 to June 30, 2010 decreased from 49.1 to 46.3.

**Investing Activities** – Cash used by investing activities during the first half of 2010 was \$3.1 million, which was primarily comprised of capital expenditures of \$10.9 million. Partially offsetting these expenditures was cash proceeds from the sale of our investment in O’Sullivan and the collection of the principal on the related note receivable totaling \$7.8 million. Cash used by investing activities in the first half of 2009 included \$12.2 million of capital expenditures.

**Financing Activities** – Net cash used by financing activities in the first half of 2010 reflects the repayment of \$20.0 million aggregate principal amount of our 6.52% medium-term notes partially offset by proceeds from the exercise of stock options. In the first half of 2009, net cash provided by financing activities reflected a \$15.1 million increase in short-term borrowings.

## Capital Resources

The following table summarizes our available and outstanding facilities as of June 30, 2010:

(In millions)	<u>Outstanding</u>	<u>Available</u>	<u>Total</u>
Long-term debt, including current maturities	\$ 389.4	\$ —	\$ 389.4
Receivables sale facility	—	153.6	153.6
Short-term debt	0.4	—	0.4
	<u>\$ 389.8</u>	<u>\$ 153.6</u>	<u>\$ 543.4</u>

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. We may also seek to repurchase our outstanding equity securities. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

## Long-Term Debt

As of June 30, 2010, long-term debt totaled \$389.4 million, with maturities ranging from 2011 to 2015. Current maturities of long-term debt at June 30, 2010 were \$59.8 million.

Aggregate maturities of long-term debt for the next five years are: 2011 — \$59.8 million; 2012 — \$279.6 million; 2013 — \$0.0 million; 2014 — \$0.0 million; and thereafter — \$50.0 million.

Each of our 8.875% senior notes due 2012, 7.500% debentures due 2015 and medium-term notes are our direct, unsecured obligations and are not guaranteed by any of our subsidiaries. Each of the indentures governing these debt securities contains limitations on our ability to incur secured debt.

## Guarantee and Agreement

We entered into a definitive Guarantee and Agreement with Citicorp USA, Inc., KeyBank National Association and National City Bank (now PNC Bank) on June 6, 2006. Under this Guarantee and Agreement, we guarantee some treasury management and banking services provided to us and our subsidiaries, such as foreign currency forwards and bank overdrafts. This guarantee is secured by our inventories located in the United States.

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### **Credit Facility**

On January 3, 2008, we entered into a credit agreement with Citicorp USA, Inc., as administrative agent and as issuing bank, and The Bank of New York, as paying agent. Borrowings under the credit facility are based on the applicable LIBOR rate plus a fixed facility fee of 4.77%. At June 30, 2010, we had outstanding borrowings under the credit facility of \$40.0 million included in *Current portion of long-term debt* in the accompanying consolidated balance sheets.

On July 7, 2010, we fully repaid the \$40 million of outstanding borrowings from Citicorp USA, Inc. and also terminated the related commitments and credit agreement.

### **Receivables Sale Facility**

As of June 30, 2010, we had receivables sale facilities outstanding in the United States and Canada totaling \$200.0 million. These facilities expire in June 2012. The maximum proceeds that we may receive are limited to the lesser of \$200.0 million or 85% of the eligible domestic and Canadian accounts receivable sold. This facility also makes up to \$40.0 million available for issuing standby letters of credit as a sub-limit within the \$200.0 million facility, of which \$13.7 million was used at June 30, 2010.

The facility requires us to maintain a minimum fixed charge coverage ratio (defined as Adjusted EBITDA less capital expenditures, divided by the sum of interest expense and scheduled debt repayments for the next four quarters) of at least 1 to 1 when average excess availability under the facility is \$40.0 million or less. As of June 30, 2010, the average excess availability under the facility was greater than \$40.0 million. Additionally, the fixed charge coverage ratio exceeded 1 to 1.

Each indenture governing our senior unsecured notes and debentures and our guarantee of the \$48.8 million of SunBelt notes allows a specific level of secured debt, above which security must be provided on each indenture and our guarantee of the SunBelt notes. The receivables sale facility and our guarantee of the SunBelt notes are not considered debt under the covenants associated with our senior unsecured notes and debentures.

### **Notes Receivable**

Included in *Other non-current assets* as of June 30, 2010 is \$24.6 million outstanding on a seller note receivable due from Excel Polymers LLC, which purchased our elastomers and performance additives business in August 2004. With the extension of this note in 2009, we were given a secured position in the assets of the business. This note accrues interest at 10% per annum and is due in full with accrued interest at maturity on February 29, 2012.

### **Contractual Obligations**

We have future obligations under various contracts relating to debt and interest payments, operating leases, standby letters of credit, pension and postretirement benefit plans and purchase obligations. During the six months ended June 30, 2010, there were no significant changes to these obligations as reported in our Annual Report on Form 10-K for the year ended December 31, 2009.

**Critical Accounting Policies and Estimates**

Effective January 1, 2010, we elected to change our method of valuing inventories for certain U.S. businesses to the FIFO method, while in prior years, these inventories were valued using the LIFO method. As a result of this change, all inventories are valued using the FIFO method. Inventories accounted for under the FIFO method as a percent of total consolidated inventories was 76%, with the remainder determined on a LIFO basis at December 31, 2009. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 250, *Accounting Changes and Error Corrections*, all prior periods presented have been adjusted to apply the new method retrospectively. The effect of the change in our inventory costing method increased our inventory balance and retained earnings by \$42.4 million as of January 1, 2009.

## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

In this quarterly report on Form 10-Q, 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. Forward-looking statements give current expectations or forecasts of future events and 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. They use words such as “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance and/or sales. Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:

- the effect on foreign operations of currency fluctuations, tariffs and other political, economic and regulatory risks;
- changes in polymer consumption growth rates in the markets where PolyOne conducts business;
- changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online in the polyvinyl chloride (PVC), chlor alkali, vinyl chloride monomer (VCM) or other industries in which PolyOne participates;
- fluctuations in raw material prices, quality and supply and in energy prices and supply;
- production outages or material costs associated with scheduled or unscheduled maintenance programs;
- unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters, including any developments that would require any increase in our costs and/or reserves for such contingencies;
- an inability to achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives related to working capital reductions, cost reductions and employee productivity goals and our new global organization structure;
- an inability to raise or sustain prices for products or services;
- an inability to maintain appropriate relations with unions and employees;
- the speed and extent of an economic recovery, including the recovery of the housing and chlor-alkali markets;
- the financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability;
- disruptions, uncertainty or volatility in the credit markets that could adversely impact the availability of credit already arranged and the availability and cost of credit in the future; and
- other factors affecting our business beyond our control, including, without limitation, changes in the general economy, changes in interest rates and changes in the rate of inflation.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. You are advised, however, to consult any further disclosures we make on related subjects in our reports on Forms 10-Q, 8-K and 10-K furnished to the SEC. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.



### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to certain market risks as part of our ongoing business operations, including risks from changes in interest rates on debt obligations and foreign currency exchange rates that could impact our financial condition, results of operations and cash flows. We manage our exposure to these and other market risks through regular operating and financing activities, including the use of derivative financial instruments. We intend to use these derivative financial instruments as risk management tools and not for speculative investment purposes.

*Interest rate exposure* — On July 7, 2010, we fully repaid the \$40 million of outstanding borrowings from Citicorp USA, Inc. and also terminated the related commitments and credit agreement. Because this was our only variable rate debt, we currently have no significant exposure to changes in market interest rates.

To help manage borrowing costs, we may periodically enter into interest rate swap agreements. Under these arrangements, we agree to exchange, at specified intervals, the difference between fixed and floating interest amounts on agreed-upon notional principal amounts. As of June 30, 2010, there were no outstanding interest rate swap agreements.

*Foreign currency exposure* — We enter into intercompany lending transactions that are denominated in various foreign currencies and are subject to financial exposure from foreign exchange rate movement from the date a loan is recorded to the date it is settled or revalued. To mitigate this risk, we enter into foreign exchange contracts, which had a fair value of \$0.3 million at June 30, 2010. Gains and losses on these contracts generally offset gains and losses on the assets and liabilities being hedged.

We face translation risks related to the changes in foreign currency exchange rates. Amounts invested in our foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as a component of *Accumulated other comprehensive income (loss)* in the Shareholders' equity section of the accompanying consolidated balance sheets. Net sales and expenses in our foreign operations' foreign currencies are translated into varying amounts of U.S. dollars depending upon whether the U.S. dollar weakens or strengthens against other currencies. Therefore, changes in exchange rates may either positively or negatively affect our net sales and expenses from foreign operations as expressed in U.S. dollars.

### **Item 4. Controls and Procedures**

#### **Disclosure controls and procedures**

PolyOne's management, under the supervision of and with the participation of its Chief Executive Officer and its Chief Financial Officer, has evaluated the effectiveness of the design and operation of PolyOne's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this quarterly report. Based upon this evaluation, PolyOne's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report, its disclosure controls and procedures were effective.

#### **Changes in internal control over financial reporting**

There were no changes in PolyOne's internal control over financial reporting during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

**Part II – Other Information**

**Item 6. Exhibits**

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
4.1	Form of Medium-Term Note, issued under the Indenture between the Company and NBD Bank, as trustee (which Indenture is incorporated by reference to Exhibit 4.1 to M.A. Hanna Company's Registration Statement on Form S-3, Registration Statement No. 333-05763, filed on June 12, 1996).
10.1	Second Amended and Restated Receivables Purchase Agreement, dated as of June 26, 2007, among PolyOne Funding Corporation, as seller; the Company, as servicer; the banks and other financial institutions party thereto, as purchasers; Citicorp USA, Inc., as agent; and National City Business Credit, Inc., as syndication agent
10.2	Second Amended and Restated Receivables Sale Agreement, dated as of June 26, 2007, among the Company, as seller and as servicer, and PolyOne Funding Corporation, as buyer
10.3	Canadian Receivables Purchase Agreement, dated as of July 13, 2007, among PolyOne Funding Canada Corporation, as seller; the Company, as servicer; the banks and other financial institutions party thereto, as purchasers; Citicorp USA, Inc., as agent; and National City Business Credit, Inc., as syndication agent
10.4	Canadian Receivables Sale Agreement, dated as of July 13, 2007, among PolyOne Canada Inc., as seller; PolyOne Funding Canada Corporation, as buyer; and the Company, as servicer
10.5+	PolyOne Corporation 2010 Equity and Performance Incentive Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8, Registration Statement No. 333-166775, filed on May 12, 2010), as approved by PolyOne's Shareholders May 12, 2010.
10.6+	PolyOne Senior Executive Annual Incentive Plan (effective January 1, 2011) (incorporated by reference to Appendix B to the Company's definitive proxy statement on Schedule 14A, SEC File No. 1-16091, filed on March 29, 2010), as approved by PolyOne's Shareholders May 12, 2010.
31.1	Certification of Stephen D. Newlin, Chairman, President and Chief Executive Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Robert M. Patterson, Senior Vice President and Chief Financial Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Stephen D. Newlin, Chairman, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Robert M. Patterson, Senior Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
+	Indicates management contract or compensatory plan, contract or arrangement in which one or more directors or executive officers of the Registrant may be participants

SIGNATURE

Pursuant to the requirements 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.

August 2, 2010

POLYONE CORPORATION

/s/ Robert M. Patterson

Robert M. Patterson

Senior Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
4.1	Form of Medium-Term Note, issued under the Indenture between the Company and NBD Bank, as trustee (which Indenture is incorporated by reference to Exhibit 4.1 to M.A. Hanna Company's Registration Statement on Form S-3, Registration Statement No. 333-05763, filed on June 12, 1996).
10.1	Second Amended and Restated Receivables Purchase Agreement, dated as of June 26, 2007, among PolyOne Funding Corporation, as seller; the Company, as servicer; the banks and other financial institutions party thereto, as purchasers; Citicorp USA, Inc., as agent; and National City Business Credit, Inc., as syndication agent
10.2	Second Amended and Restated Receivables Sale Agreement, dated as of June 26, 2007, among the Company, as seller and as servicer, and PolyOne Funding Corporation, as buyer
10.3	Canadian Receivables Purchase Agreement, dated as of July 13, 2007, among PolyOne Funding Canada Corporation, as seller; the Company, as servicer; the banks and other financial institutions party thereto, as purchasers; Citicorp USA, Inc., as agent; and National City Business Credit, Inc., as syndication agent
10.4	Canadian Receivables Sale Agreement, dated as of July 13, 2007, among PolyOne Canada Inc., as seller; PolyOne Funding Canada Corporation, as buyer; and the Company, as servicer
10.5+	PolyOne Corporation 2010 Equity and Performance Incentive Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8, Registration Statement No. 333-166775, filed on May 12, 2010), as approved by PolyOne's Shareholders May 12, 2010.
10.6+	PolyOne Senior Executive Annual Incentive Plan (effective January 1, 2011) (incorporated by reference to Appendix B to the Company's definitive proxy statement on Schedule 14A, SEC File No. 1-16091, filed on March 29, 2010), as approved by PolyOne's Shareholders May 12, 2010.
31.1	Certification of Stephen D. Newlin, Chairman, President and Chief Executive Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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+	Indicates management contract or compensatory plan, contract or arrangement in which one or more directors or executive officers of the Registrant may be participants

EXHIBIT 4.1

CUSIP NO.

REGISTERED NO. FIXR

PRINCIPAL AMOUNT:  
\_\_\_\_\_

M.A. HANNA COMPANY  
MEDIUM-TERM NOTE  
Due Nine Months or More from Date of Issue  
(Fixed Rate)

*[INSERT IF THE SECURITY IS TO BE A GLOBAL SECURITY*

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS GLOBAL SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY) MAY BE REGISTERED EXCEPT IN SUCH LIMITED CIRCUMSTANCES.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED UPON REGISTRATION OF TRANSFER OF, OR IN EXCHANGE FOR, OR IN LIEU OF, THIS SECURITY IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY AND ANY PAYMENT HEREON IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

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THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT:

ORIGINAL ISSUE DATE:

INTEREST RATE:

STATED MATURITY:

SPECIFIED CURRENCY:

OPTION TO ELECT PAYMENT IN U.S. DOLLARS  
(only applicable If Specified Currency is Currency is  
other than U.S. Dollars):

AUTHORIZED DENOMINATIONS  
(if Specified Currency is U.S. dollars):

Yes  No

\$1,000 and any integral multiple  
\$1,000 in excess thereof

INDEXED CURRENCY:

(if Specified Currency is other Than U.S. dollars):

CURRENCY DETERMINATION  
AGENT:

THIS SECURITY IS A:

Global Security

Certificated Security (only)  
Applicable if Specified Currency  
Is other than U.S. dollars)

INTEREST PAYMENT DATES:

OPTIONAL REDEMPTION:

INITIAL REDEMPTION DATE:

REDEMPTION PRICE(S): Initially \_\_\_% of Principal  
Amount and declining by \_\_\_% of the Principal Amount  
on each Anniversary of the Initial Redemption Date until  
the Redemption Price is 100% of the Principal Amount.

Yes  No

OPTION TO ELECT  
PRICES:  
REPAYMENT

OPTIONAL REPAYMENT DATE(S):

OPTIONAL REPAYMENT

Yes  No

REPAYMENT PROVISIONS:

If this Security was issued with "original issue discount" for purposes of Section 1273 of the Internal Revenue Code of 1986, as amended, the following shall be completed:

ORIGINAL ISSUE  
DISCOUNT SECURITY:

TOTAL AMOUNT OF OID:

ISSUE PRICE  
(expressed as a percentage of aggregate principal  
Amount):

Yes  No

YIELD TO MATURITY:

INITIAL ACCRUAL PERIOD

METHOD USED TO  
DETERMINE YIELD FOR  
INITIAL ACCRUAL PERIOD:

Approximate  Exact

M.A. HANNA COMPANY, a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor Person under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns, the principal sum of \_\_\_\_\_ on the Stated Maturity shown above, and to pay interest thereon from and including the Original Issue Date shown above or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, the next succeeding Interest Payment Date . Interest will be paid on the interest Payment Dates shown above, commencing with the first such Interest Payment Date next succeeding the Original Issue Date shown above (except as provided below), at the rate per annum specified above, until the principal hereof is paid or made available for payment, and interest shall accrue on any overdue principal and on any overdue installment of interest (to the extent that the payment of such interest shall be legally enforceable) at the rate per annum in effect at the time such principal or installment of interest, as the case may be, was due and payable. The interest so payable and punctually paid or duly provided for on any Interest Payment Date will, as provided in the Indenture (as defined herein), be paid to the Person in whose name this Note is registered at the close of business on the Regular Record Date for such interest, which shall be the May 15 or November 15 (whether or not a Business Day, as defined), as the case may be, next preceding such Interest Payment Date; *provided, however*, that interest payable at the Stated Maturity or upon earlier redemption or repayment will be payable to the Person to whom principal shall be payable. Payments of principal and interest on Notes for which payments of principal and interest are made in equal installments over the life of the security ("Amortizing Notes"), will be made in accordance with the terms of the applicable Pricing Supplement. Such payments will be payable to the Person in whose name such Amortizing Note is registered at the close of business on the Regular Record Date for such interest which shall be the fifteenth day (whether or not a Business Day) next preceding the respective Interest Payment Date. If this Note was originally issued between a Regular Record Date and an Interest Payment Date, the first payment of interest on this Note will be made on the next succeeding Interest Payment Date to the Registered Holder of this Note on the related Regular Record Date. Any interest not punctually paid or duly provided for shall be payable as provided in the Indenture.

Payments in U.S. dollars of interest (other than interest payable at Stated Maturity) and, if this Note is an Amortizing Note, principal on this Note (other than interest and principal payable at the Stated Maturity or upon earlier redemption or repayment) will be made by mailing a check to the Registered Holder at the address of the Registered Holder appearing in the security register on the applicable record date. A Registered Holder of \$10,000,000 (or the equivalent thereof in a Specified currency other than U.S. Dollars) or more in aggregate principal amount of Notes of like tenor and terms may request payment by wire transfer in immediately available funds, but only if appropriate wire transfer instructions have been received in writing by the Trustee, not later than 15 calendar days prior to the applicable Interest Payment Date. Principal and interest payable in U.S. dollars at the Stated Maturity or upon redemption or repayment in respect of this Note will be paid in immediately available funds upon surrender of this Note at the corporate trust office or an agency of the Trustee in The City of New York, Detroit or Chicago. Payments in a Specified currency other than U.S. Dollars of interest and principal on this Note will be made by wire transfer to an account with a bank located in the country issuing the Specified currency (or with respect to Notes denominated in European Currency



Units, or "ECUs," Brussels), as shall have been designated by filing the appropriate information with the Trustee at its corporate Trust Office at least 15 days prior to the Interest Payment Date or Stated Maturity, as the case may be, by the Registered Holder, provided that, in the case of payment of principal of (and premium, if any) and any interest due at the Stated Maturity, the Note is presented to the Trustee in time for the Trustee to make such payments in such funds in accordance with its normal procedures .

Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as though fully set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized signatory, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

M.A. HANNA COMPANY

By: \_\_\_\_\_  
Title:

(Corporate Seal)

Attest:

By: \_\_\_\_\_

Trustee's Certificate of Authentication

This is one of the Debt Securities of the Series designated therein referred to in the within-mentioned Indenture.

NBD BANK, As Trustee

By: \_\_\_\_\_  
Authorized Signatory

[REVERSE SIDE OF SECURITIES]

M.A. HANNA COMPANY  
MEDIUM-TERM NOTE  
(Fixed Rate)

Section I. General. This Note is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Company (herein called the "Securities"), of the series hereinafter specified, all issued or to be issued pursuant to an indenture, dated as of November 9, 1996, between the Company and NBD Bank, as Trustee (the "Indenture"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Registered Holders of the Notes. As provided in the Indenture, the securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest, if any, at different rates, may be subject to different redemption provisions, if any, may be subject to different sinking, purchase or analogous funds, if any, and may otherwise vary as in the Indenture provided. This Note is one of a series designated as "Medium-Term Notes" of the Company, limited in aggregate principal amount to U.S. \$300,000,000, or its equivalent at the time of issue in foreign currencies or currency units. References herein to "Notes" shall mean the Notes of said Series.

Section 2. Payments. (a) Interest on this Note will be payable semi-annually in arrears each June 1 and December 1 or as otherwise set forth herein (the "Interest Payment Dates") and at the Stated Maturity or upon earlier redemption or repayment.

Interest payments on each Interest Payment Date for this Note will include accrued interest from and including the original Issue Date or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, such Interest Payment Date, except that at the Stated Maturity the interest payments will include accrued interest from and including the Original Issue Date, or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, the Stated Maturity.

As used herein, "Business Day", means any Monday, Tuesday, Wednesday, Thursday or Friday, that is (i) not a legal holiday or a day on which banking institutions are authorized or required by law, regulation or executive order to be closed in (a) The City of New York or (b) if the Specified Currency is other than U. S. Dollars, the financial center of the country issuing such Specified Currency (which, in the case of ECU, shall be Brussels, Belgium) and (ii) if this Note is a LIBOR Note, a London Banking Day, and, with respect to Notes as to which LIBOR

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is an applicable Base Rate, is also a London Banking Day. As used herein, "London Banking Day" means any day on which dealings in deposits in the U.S. Dollars are transacted in the London interbank market.

(b) If the Specified Currency is other than U.S. Dollars, unless the Registered Holder has elected otherwise, payment in respect of this Note shall be made in U.S. Dollars as determined by the Exchange Rate Agent appointed by the Company based on the highest firm bid quotation for U.S. Dollars received by such Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date (or if no such rate is quoted on such date, the last date on which such rate was quoted), from three (or, if three are not available, then two) recognized foreign exchange dealers in The city of New York selected by the Exchange Rate Agent (one of which may be an Agent and another of which may be the Exchange Rate Agent) for the purchase by the quoting dealer, for settlement on such payment date, of the aggregate amount of the specified Currency payable on such payment date, of the aggregate amount of the Specified Currency payable on such payment date in respect of all Notes denominated in such Specified Currency and scheduled to receive U.S. Dollar payments on such date. All currency exchange costs will be borne by the Registered Holders of such Notes by deductions from such payments. If no such bid quotations are available, payments will be made in the Specified Currency unless such Specified Currency is unavailable due to the imposition of exchange controls or to other circumstances beyond the Company's control, in which case the Company will be entitled to make payments in respect hereof in U.S. Dollars as provided below.

(c) Unless otherwise specified on the face hereof, a Registered Holder of Notes denominated in an Specified Currency other than U.S. Dollars may elect to receive payment of the principal of (premium, if any) and interest on the Notes in the Specified Currency by delivery of a written notice to the Trustee at least 15 calendar days prior to the applicable payment date. Such election will remain in effect until revoked by written notice to such Trustee received at least 15 calendar days prior to the applicable payment date. Interest on Notes denominated in a foreign currency paid in the Specified Currency will be paid by a check drawn on an account maintained at a bank outside the United States, unless other arrangements have been made.

(d) Except as set forth below, if payment in respect of a Note is required to be made in a Specified Currency other than U.S. dollars and such currency is unavailable due to the imposition of exchange controls or other circumstances beyond the Company's control or is no longer used by the government of the country issuing such currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of such Note shall be made in U.S. dollars until such currency is

again available or so used. The amounts so payable on any date in such currency shall be converted into U.S. dollars on the basis of the most recently available Market Exchange Rate for such currency or as otherwise indicated in the applicable Pricing supplement. Any payment in respect of such Note made under such circumstances in U.S. dollars will not constitute an Event of Default under the Indenture under which such Note shall have been issued.

If payment in respect of a Note is required to be made in ECU and ECU are no longer used in the European Monetary System, then all payments in respect of such Note shall be made in U.S. dollars until ECU are again so used. The amount of each payment in U.S. dollars shall be computed on the basis of the equivalent of ECU in U.S. dollars, determined as described below, as of the second Business Day prior to the date on which such payment is due.

The equivalent of ECU in U.S. dollars as of any date (the "Day of Valuation") shall be determined by the Trustee for such Note on the following basis. The component currencies of ECU for this purpose (the "Components") shall be the currency amounts that were components of ECU as of the last date on which ECU were used in the European Monetary System. The equivalent of ECU in U.S. dollars shall be calculated by aggregating the U.S. dollar equivalents of the Components. The U.S. dollar equivalent of each of the components shall be determined by such Trustee or such Exchange Rate Agent, as the case may be, on the basis of the most recently available Market Exchange Rates for such Components or as otherwise indicated in the applicable Pricing Supplement.

If the official unit of any component currency is altered by way of combination or subdivision, the number of units of that currency as a Component shall be divided or multiplied in the same proportion. If two or more component currencies are consolidated into a single currency, the amounts of those currencies as components shall be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated component currencies expressed in such single currency. If any component currency is divided into two or more currencies, the amount of that currency as a Component shall be replaced by amounts of such two or more currencies, each of which shall be equal to the amount of the former component currency divided by the number of currencies into which that currency was divided.

All determinations referred to above made by the Trustee for the Notes or the Exchange Rate Agent, as the case may be, shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on holders of Notes.

(e) All percentages resulting from any calculations under this Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point.

(f) Unless otherwise specified in the applicable pricing supplement, the Trustee shall be the Calculation Agent. At the request of the Registered Holder hereof, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate which will become effective on the next Interest Reset Date with respect to this Note.

Unless otherwise specified in the applicable pricing supplement, all percentages resulting from any calculations under this Note will be rounded, if necessary, to the nearest 1/100,000 of 1%, with five one-millionths of a percentage point being rounded upward, and all currency amounts used in or resulting from any such calculation in respect of the Notes will be rounded to the nearest one-hundredth of a unit (with .005 of a unit being rounded upward).

(g) Until the Notes are paid or payment thereof is duly provided for, the Company will, at all times, maintain a paying agent (the "Paying Agent") capable of performing the duties described herein to be performed by the Paying Agent. The company has initially appointed the Trustee as the Paying Agent. The Company will notify the Registered Holders of such Notes, in accordance with the Indenture, of any change in the Paying Agent or its address.

Section 3. Redemption. If so specified on the face hereof, the company may at its option redeem this Note in whole or from time to time in part on or after the date designated as the Initial Redemption Date on the face hereof and the price at which such Note may be redeemed. The Company may exercise such option by notifying the Trustee at least 45 days prior to the Initial Redemption Date and causing the Trustee to mail a notice of such redemption to each Registered Holder by first class mail, postage prepaid, at least 30 but not more than 60 days prior to the date of redemption. In the event of redemption of this Note in part only, a new Note or Notes for the unredeemed portion hereof shall be issued in the name of the Registered Holder hereof upon the cancellation hereof. If less than all of the Notes with like tenor and terms to this Note are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the trustee shall deem fair and appropriate.

Section 4. Repayment. If so specified on the face hereof, this Note will be repayable prior to the Stated Maturity at the option of the Registered Holder on the optional Repayment Dates shown on the face hereof at a price equal to 100% of the principal amount hereof or, if this Note is a Discounted Security (as specified on the face hereof), at the applicable Optional Repayment Price shown on the face hereof, together with accrued interest to the date of repayment.

Section 5. Sinking Fund. The Notes will not be subject to any sinking Fund.

Section 6. Original Issue Discount Notes. Notwithstanding anything herein to the contrary, if this Note is an Original Issue Discount Note, the amount payable in the event of redemption or repayment prior to the Stated Maturity shall be the Amortized Face Amount of this Note as of the redemption date or the date of repayment, as the case may be. The "Amortized Face Amount" of this Note shall be the amount equal to (a) the Issue Price (as set forth on the face hereof) plus (b) that portion of the difference between the Issue Price and the principal amount hereof that has accrued at the Yield to Maturity (as set forth on the face hereof) (computed in accordance with generally accepted United States bond yield computation principles) by such date of redemption or repayment but in no event shall the Amortized Face Amount of this Note exceed its principal amount.

Section 7. Events of Default. In case an Event of Default, as defined in the Indenture, with respect to the Notes shall have occurred and be continuing, either the Trustee or Registered Holders of at least 25% in aggregate principal amount of the Notes outstanding may declare the principal amount of (or, if Original Issue Discount Note, such portion of the principal amount as may be specified by such series) and interest on the Notes due and payable immediately, and upon such declaration the same shall become and shall be immediately due and payable.

Section 8. Modifications and Waivers. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Registered Holders of the Notes of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Registered Holders of not less than a majority in principal amount of the Notes at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting, with certain exceptions as therein provided, the Registered Holders of not less than a majority in principal amount of the Notes of each series at the time Outstanding, on behalf of the Registered Holders of all Notes of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Registered Holder of this Note shall be conclusive and binding upon such Registered Holder and upon all future Registered Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the right of the Registered Holder of this Note, which is absolute and unconditional, to receive payment of the principal of (and

Premium, if any) and interest on this Note at the times, places and rate, and in the coin or currency, herein prescribed.

Section 9. Authorized Denominations. Notes are issuable in registered form without coupons in the minimum denomination of \$1,000, or the equivalent thereof in the specified Currency, and in any larger amount that is an integral multiple of \$1,000.

Section 10. Registration of Transfer. Upon due presentment for registration of transfer of this Note at the office or agency of the Company maintained for such purpose, one or more new Notes of authorized denominations, for a like aggregate principal amount, will be issued to the transferee in exchange therefor subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

If this Note is a Global Security (as specified on the face hereof), this Note is exchangeable only if (i) the Depositary notifies the Company and the Trustee in writing that it is unwilling or unable to continue as Depositary for this Global Security or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor Depositary is not appointed by the Company within 90 days or (ii) the Company in its sole discretion determines that this Note shall be exchangeable for certificated Notes in registered form and delivers to the Trustee a written order as described in the Indenture that this Note shall be so exchangeable, *provided* that this permanent Global Security shall be surrendered by the Depositary, or such other depositary as shall have been specified as provided in the Indenture, to the Trustee, as the agent for such purpose, to be exchanged, in whole or in part, for definitive Notes without charge, and the Trustee shall authenticate and deliver, in exchange for each portion of this permanent Global security, an equal aggregate principal amount of definitive Notes, executed by the Company, of the same series of authorized denominations and of like tenor as the portion of this Global Security to be exchanged, which shall be in the form of registered Notes as provided in the Company's written order as described in the Indenture.

Every Note authenticated and delivered upon registration of transfer of, or in exchange for or in *lieu* of, this Global Security other than pursuant to clauses (i) or (ii) above, shall be authenticated and delivered in the form of, and shall be, a Global security. Except as provided above, owners of beneficial interests in this permanent Global Security will not be entitled to receive physical delivery of Notes in certificated registered form and will not be considered the Registered Holders thereof for any purpose under the Indenture.

Section 11. Owners. Prior to due presentment for registration of transfer of this Note, the Company, the Trustee, any Paying Agent and the Registrar may deem and treat the



Registered Holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of, or on account of, the principal hereof, and, subject to the provisions on the face hereof, interest hereon, and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Security Registrar shall be affected by any notice to the contrary.

Section 12. Defeasance; Proceedings. The Indenture contains provisions, which apply to this Note, for defeasance of (i) the entire indebtedness of this Note and (ii) certain restrictive covenants, subject in either case to compliance by the Company with conditions set forth in the Indenture.

As provided in and subject to the provisions of the Indenture, the Registered Holder of this Note shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Registered Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Notes of this series and of the continuance thereof, the Registered Holders of not less than 25% in aggregate principal amount of the Notes of this series at the time outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Registered Holders of a majority in principal amount of Notes of this series at the time outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Registered Holder of this Note for the enforcement of any payment of principal hereof or any premium or interest hereof on or after the respective due dates expressed herein.

Section 13. Definitions. All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them therein.

Section 14. Governing Law. This Note shall be governed and construed in accordance with the laws of the State of New York.

OPTION TO ELECT REPAYMENT

The undersigned owner of this Note hereby irrevocably elects to have the Company repay the principal amount of this Note or portion hereof designated at the Optional Repayment Price indicated on the face hereof.

Dated: \_\_\_\_\_

\_\_\_\_\_

Signature

Sign exactly as name appears On the front of this Security  
[SIGNATURE GUARANTEE — Requested only if Securities are to  
be issued and delivered to other than the registered holder].

Principal amount to be repaid, if amount to be repaid is less principal  
amount of this Security (principal amount remaining must be an  
authorized denomination)

Fill in for registration of Securities if to be issued otherwise than to  
the then registered holder:

\$ \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
(Please print name and address including zip code)

SOCIAL SECURITY OR OTHER TAXPAYER ID NUMBER

\_\_\_\_\_

Abbreviations

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations;

TEN COM -as tenants in common

TEN ENT -as tenants by the entireties

JT TEN -as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT — \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

Under Uniform Gifts to Minors Act

\_\_\_\_\_  
(state)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

\_\_\_\_\_

The within Note and all rights thereunder, hereby Irrevocably constituting and appointing \_\_\_\_\_ attorney to transfer said Note on the books of the Company, With full power of substitution in the premises.

Dated:

\_\_\_\_\_  
Signature

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE WITHIN INSTRUMENT IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE GUARANTEE

Signature Guaranteed by:

\_\_\_\_\_

By: \_\_\_\_\_

The signature must be guaranteed by an eligible guarantor institution (a bank, stockbroker, savings and loan association or credit union with membership in an approved signature guarantee medallion program), pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934.

**SECOND AMENDED AND RESTATED  
RECEIVABLES PURCHASE AGREEMENT**

**DATED AS OF JUNE 26, 2007**

AMONG

**POLYONE FUNDING CORPORATION,**

AS THE SELLER,

**POLYONE CORPORATION,**

AS THE SERVICER,

**THE BANKS AND OTHER FINANCIAL INSTITUTIONS PARTY HERETO,**

AS PURCHASERS,

**CITICORP USA, INC.,**

AS THE AGENT,

AND

**NATIONAL CITY BUSINESS CREDIT, INC.,**

AS THE SYNDICATION AGENT

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## EXHIBITS

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<b>EXHIBIT B-1</b>	Form of Seller Report
<b>EXHIBIT B-2</b>	Form of Receivables Report
<b>EXHIBIT C</b>	Form of Lock-Box Agreement
<b>EXHIBIT D</b>	Form of Second Amended and Restated Receivables Sale Agreement
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<b>EXHIBIT F</b>	Form of Notice of Purchase
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<b>EXHIBIT I</b>	Form of Notice of Conversion or Continuation
<b>EXHIBIT J-1</b>	Form of Opinion of Thompson Hine LLP, Counsel to the Seller and each Originator
<b>EXHIBIT J-2</b>	Form of Opinion of Thompson Hine LLP, Counsel to the Seller and each Originator (“ <u>true sale</u> ” and non-substantive consolidation opinion)
<b>EXHIBIT K</b>	Form of Second Amended and Restated Parent Undertaking

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## SCHEDULES

<b>SCHEDULE I</b>	Lock-Box Banks and Lock-Box Accounts
<b>SCHEDULE II</b>	Credit and Collection Policy
<b>SCHEDULE III</b>	Jurisdiction of Incorporation, Organizational Identification Number and Location of the Seller's Principal Place of Business, Chief Executive Office and Office Where Records are Kept
<b>SCHEDULE IV</b>	Forms of Invoices
<b>SCHEDULE V</b>	Changes in Financial Conditions or Operations
<b>SCHEDULE VI</b>	UCC Filing Jurisdictions
<b>SCHEDULE VII</b>	Commitments

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## SECOND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT

This **SECOND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT**, dated as of June 26, 2007 (this "Agreement"), among POLYONE FUNDING CORPORATION, a Delaware corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the Servicer (as hereinafter defined), the banks and other financial institutions listed on the signature pages hereof, as the Initial Purchasers (the "Initial Purchasers"), CITICORP USA, INC., a Delaware corporation ("Citicorp"), as administrative agent (the "Agent") for the Purchasers and the other Owners (as hereinafter defined), CITIBANK, N.A., a national association ("CNA"), and National City Bank, as issuing banks (the "Issuing Banks"), and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation ("NCBC"), as the syndication agent (the "Syndication Agent") amends in certain respects and restates in its entirety, the Amended and Restated Receivables Purchase Agreement, dated as of July 26, 2005 (the "Prior Agreement").

### PRELIMINARY STATEMENTS:

- (1) It is the intent of the parties hereto that this Agreement not constitute a novation of any of the obligations or liabilities under the Prior Agreement nor constitute a discharge thereof, that this Agreement amend and restate in its entirety the Prior Agreement and that, from and after the Effective Date, the Prior Agreement be of no further force and effect except to evidence the obligations of the parties thereto prior to the Effective Date and the representations and warranties made thereunder.
  - (2) The Seller will from time to time purchase or otherwise acquire from the Originators Pool Receivables in which the Seller intends to sell interests referred to herein as Receivable Interests.
  - (3) The Purchasers may at any time and from time to time purchase Receivable Interests from the Seller.
  - (4) In consideration of the reinvestment in Pool Receivables of daily Collections (other than with regard to accrued Yield and any fees) attributable to a Receivable Interest, the Seller will sell to each Owner of such Receivable Interest additional interests in the Pool Receivables as part of such Receivable Interest until such reinvestment is terminated.
  - (5) PolyOne has been requested and is willing to act as the Servicer.
  - (6) Citicorp has been requested and is willing to act as the Agent.
  - (7) The Issuing Banks have been requested and are willing to make available to the Seller a letter of credit sub-facility upon the terms and subject to the conditions set forth herein.
  - (8) NCBC has been requested and is willing to act as the Syndication Agent.
  - (9) Certain terms which are capitalized and used throughout this Agreement (in addition to those defined above) are defined in Article I of this Agreement.
- NOW, THEREFORE, in consideration of the premises, the parties hereto agree 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):

“Adjusted EBITDA” means, with respect to any Person, EBITDA of such Person and its Subsidiaries plus any net cash received from Equity Affiliates, minus any net cash paid to Equity Affiliates, minus any income from Equity Affiliates plus any income to Equity Affiliates.

“Adjusted LIBO Rate” means, with respect to any Yield Period for any Capital Investment, an interest rate per annum equal to the rate per annum obtained by dividing (a) the LIBO Rate by (b) a percentage equal to (i) 100% minus (ii) the reserve percentage applicable 2 Business Days before the first day of such Yield Period under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including 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 LIBO Rate is determined) having a term equal to such Yield Period.

“Adverse Claim” means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, lien (statutory or other), security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever intended to assure payment of any Debt or the performance of any other obligation, including any conditional sale or other title retention agreement, the interest of a lessor under a capital lease and any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the UCC of any jurisdiction naming the owner of the asset to which such Adverse Claim relates as debtor.

“Affiliate” means as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

“Agent’s Account” means the Deposit Account of the Agent (account number 30537802, ABA 021000089, Reference: CUSA f/a/o PolyOne Concentration) maintained with CNA at its office at 399 Park Avenue, New York, New York 10043, Attention: Hien Nugent, or such other account as the Agent shall specify in writing to the Seller, the Servicer and the Purchasers.

“Agent’s Fee” means those agency fees set forth in the Second Amended and Restated Fee Letter.

“Alternate Base Rate” means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall be equal at all times to the highest of the following:

(a) the rate of interest announced publicly by CNA in New York, New York, from time to time, as CNA’s base rate (or equivalent rate otherwise named);

(b) the sum (adjusted to the nearest 0.25% or, if there is no nearest 0.25%, to the next higher 0.25%) of (i) 0.5% per annum, (ii) the rate per annum 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 being determined weekly on each Monday (or, if any such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by CNA 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 CNA from 3 New York certificate of deposit dealers of recognized standing selected by CNA, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) for CNA in respect of liabilities consisting of or including (among other liabilities) three-month U.S. dollar nonpersonal time deposits in the United States and (iii) the average during such three-week period of the maximum annual assessment rates estimated by CNA for determining the then current annual assessment payable by CNA to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits in the United States; and

(c) 0.5% per annum plus the Federal Funds Rate.

“Amended and Restated Projections” means those financial projections covering the Fiscal Years ending in December 2007 through December 2011 inclusive, to be delivered to the Purchasers by PolyOne.

“Applicable L/C Margin” means (a) for an initial period commencing on the Effective Date and ending on the first day of the month immediately following the month in which the Servicer delivers PolyOne’s financial statements for the Fiscal Period ending June 30, 2007, 1.25% per annum and (b) thereafter, as of any date of determination, a per annum rate equal to the rate set forth below opposite the then applicable Average Monthly Excess Availability (determined on the last day of the most recently concluded calendar month):

<u>Average Monthly Excess Availability</u>	<u>Applicable L/C Margin</u>
Greater than \$120,000,000	1.00%
Less than or equal to \$120,000,000 and greater than \$60,000,000	1.25%
Less than or equal to \$60,000,000	1.50%

provided, however, that upon the occurrence and during the continuance of an Event of Termination, the “Applicable L/C Margin” shall be the sum of the highest rate set forth in the table above plus 2.00% per annum. Changes in the Applicable L/C Margin resulting from a change in the Average Monthly Excess Availability for any month shall become effective as to all Issuances on the first day of the next consecutive calendar month.

“Applicable Margin” means (a) for an initial period commencing on the Effective Date and ending on the first day of the month immediately following the month in which the Servicer delivers PolyOne’s financial statements for the Fiscal Period ending June 30, 2007, (i) in the case of Capital

Investments having a Yield determined with reference to the Alternate Base Rate 0.50% per annum and, (ii) in the case of Capital Investments having a Yield determined with reference to the Adjusted LIBO Rate, 1.50% per annum and (b) thereafter, as of any date of determination, a per annum rate equal to the rate set forth below opposite the then applicable Average Monthly Excess Availability (determined on the last day of the most recently concluded calendar month):

<u>Average Monthly Excess Availability</u>	<u>Alternate Base Rate</u>	<u>Adjusted LIBO Rate</u>
Greater than \$120,000,000	0.25%	1.25%
Less than or equal to \$120,000,000 and greater than \$60,000,000	0.50%	1.50%
Less than or equal to \$60,000,000	0.75%	1.75%

provided, however, that upon the occurrence and during the continuance of an Event of Termination, the “Applicable Margin” shall be the sum of the highest rate set forth in the table above (as may be converted pursuant to Section 2.16) plus 2.00% per annum. Changes in the Applicable Margin resulting from a change in the Average Monthly Excess Availability for any month shall become effective as to all Capital Investments on the first day of the next consecutive calendar month.

“Applicable Reserve” means, at any date, an amount equal to (NRPB x RP) plus such reserves as mutually agreed upon, with adjustments effective upon at least three Business Days’ notice by the Agent, where:

NRPB = the Net Receivables Pool Balance at the close of business of the Servicer on such date.

RP = the Reserve Percentage at the close of business of the Servicer on such date.

“Approved Electronic Communications” means each notice, demand, communication, information, document and other material that the Seller or Servicer is obligated to, or otherwise chooses to, provide to the Agent pursuant to any Transaction Document or the transactions contemplated therein, including any financial statement, financial and other report, notice, request, certificate and other information material; provided, however, that “Approved Electronic Communication” shall exclude (x) any Notice of Purchase, Letter of Credit Request, Swing Purchase Request, Notice of Conversion or Continuation, and any other notice, demand, communication, information, document and other material relating to a request for a new, or a conversion of an existing, Purchase, (ii) any notice relating to the payment due under any Transaction Document prior to the scheduled date therefor, (iii) any notice of any Potential Event of Termination or Event of Termination and (iv) any notice, demand, communication, information, document and other material required to be delivered to satisfy any of the conditions set forth in Article III or Section 2.04(a) or any other condition to any Purchase or extension of credit hereunder or any condition precedent to the effectiveness of this Agreement.

“Approved Electronic Platform” has the meaning specified in Section 8.06.

“Assignee” means in the case of any assignment of any rights and obligations pursuant to Section 9.01, any Eligible Assignee as the assignee of such rights and obligations.

“Assignment and Acceptance” means an assignment and acceptance, in substantially the form of Exhibit A hereto, entered into by any Purchaser and an Assignee pursuant to Section 9.01.

“Available Capital” means, at any time, (a) the lesser of (i) the then effective Total Commitments and (ii) (x) the Net Receivables Pool Balance at such time minus (y) any Applicable Reserve in effect at such time, minus (b) the sum of (i) the Capital at such time and (ii) the Letter of Credit Undrawn Amounts.

“Average Monthly Excess Availability” means, for any calendar month, the average daily Receivables Excess Availability for such calendar month.

“Business Day” means any day (other than a Saturday or Sunday) on which (i) banks are not authorized or required to close in New York, New York or the State of Ohio and (ii) if the term “Business Day” is used in connection with the Adjusted LIBO Rate, dealings in United States dollars are carried on in the London interbank market.

“Canadian RPA” means the Canadian Receivables Purchase Agreement to be entered into (as the same may from time to time be amended, restated, supplemented or otherwise modified from time to time) among PolyOne Canada Funding Corporation, PolyOne, the Purchasers (as defined therein), Citicorp USA, Inc., as administrative agent for the Purchasers and any other owners of Receivable Interests (as defined therein), Citibank, N.A. and National City Bank, as issuing banks, and National City Business Credit, Inc., as the syndication agent.

“Capital” means, at any time, the sum of all Capital Investments outstanding at such time.

“Capital Expenditures” means, with respect to any Person, expenditures (whether paid in cash or other consideration or accrued as a liability) for fixed or capital assets (excluding any capitalized interest and any such asset acquired in connection with normal replacement and maintenance programs to the extent properly charged to current operations and excluding any replacement assets to the extent acquired with the proceeds of insurance) made by such Person, all as determined in accordance with GAAP.

“Capital Investment” means (a) in respect of any Receivable Interest, the original amount paid to the Seller for such Receivable Interest at the time of its acquisition by the Purchasers, or the Swing Purchaser, as the case may be, pursuant to Sections 2.01, 2.02, 2.03 or 2.04, reduced from time to time by Collections received and distributed on account of such Capital pursuant to Section 2.07 or 2.08; provided, however, that if such Capital Investment of such Receivable Interest shall have been reduced by any distribution of any portion of Collections and thereafter such distribution is rescinded or must otherwise be returned for any reason, such Capital Investment of such Receivable Interest shall be increased by the amount of such distribution, all as though such distribution had not been made; and (b) any Reimbursement Obligation (solely to the extent not included in clause (a) of this definition).

“Cash Management Obligation” means, as applied to the Seller, any direct or indirect liability, contingent or otherwise, of the Seller in respect of cash management services (including treasury, depository, overdraft, credit or debit card, electronic funds transfer and other cash management arrangements) provided after the date hereof (regardless of whether these or similar services were provided prior to the date hereof by the Administrative Agent, any Purchaser or any Affiliate or any of them) by the Administrative Agent in connection with this Agreement or any Transaction Document,

including obligations for the payment of fees, interest, charges, expenses, reasonable attorneys' fees and disbursements in connection therewith.

“Change of Control” means the occurrence of any of the following: (a) any Person or 2 or more Persons acting in concert, other than a trustee or other fiduciary holding securities under an employee benefit plan of PolyOne or a corporation owned, directly or indirectly, by PolyOne or by the stockholders of PolyOne in substantially the same proportions as their ownership of stock of PolyOne (e.g., a holding company reorganization), 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 Interests of PolyOne (or other securities convertible into such Voting Interests of PolyOne) representing 25% or more of the combined voting power of all Voting Interests of PolyOne; or (b) any Person or 2 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, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of PolyOne; or (c) PolyOne, or a corporation owned, directly or indirectly, by the stockholders of PolyOne in substantially the same proportions as their ownership of stock of PolyOne, shall cease to own, directly or indirectly, 100% of the Equity Interests in the Seller, PolyOne or any other Originator unless, in the case of such other Originator, such Originator is, upon at least 5 Business Days' prior written notice to the Agent, sold by PolyOne and thereupon ceases to be an Originator hereunder without causing an Event of Termination or a Potential Event of Termination to occur, or (d) any “Change of Control” under and as defined in the Senior Note Indenture.

“Citicorp” has the meaning assigned to such term in the recital of parties hereto.

“Citicorp Base Rate” for any period for any Capital Investment, an interest rate per annum equal to the sum of (a) the Alternate Base Rate in effect from time to time plus (b) the Applicable Margin.

“Citicorp LIBO Rate” for any Yield Period for any Capital Investment, an interest rate per annum equal to the sum of (a) the Adjusted LIBO Rate for such Yield Period plus (b) the Applicable Margin.

“Citicorp Rate” means (a) for any Capital Investment (other than Swing Purchases and Reimbursement Obligations), at the Seller's election upon written notice to the Agent, given not later than 11:00 A.M. (New York City time) on the third Business Day prior to such Capital Investment (in the case of the Citicorp LIBO Rate) or the Business Day prior to such Capital Investment (in the case of the Citicorp Base Rate), either the Citicorp LIBO Rate or the Citicorp Base Rate, as applicable, and (b) for any Capital Investment that is a Swing Purchase, for any Reimbursement Obligation, and for each other obligation hereunder, the Citicorp Base Rate.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Collections” means, with respect to any Pool Receivable, all cash collections and other cash proceeds of such Pool Receivable, including, without limitation, (i) all cash proceeds of the Related Security with respect to such Pool Receivable and (ii) any Collections of such Pool Receivable deemed to have been received, and actually paid, pursuant to Section 2.09(a).

“Commitment” means from and after the Effective Date, in respect of each Purchaser party to this Agreement on the Effective Date after giving effect to this Agreement, the commitment of such Purchaser to make Purchases and acquire other Capital Investments in the aggregate principal amount set forth as the “Commitment” of such Purchaser on Schedule VII and in respect of each other Purchaser that became a Purchaser by entering into an Assignment and Acceptance from and after the Effective Date, the amount



set forth as the “Commitment” for such Purchaser in the Register maintained by the Agent pursuant to Section 9.01(c); in the case of clauses (i) and (ii), as each such amount may be reduced from time to time as the result of any assignment of any Commitment or any portion thereof pursuant to Section 9.01 or as such amount may be reduced from time to time pursuant to Section 2.05.

“Commitment Termination Date” means the fifth anniversary of the Effective Date.

“Consolidated” means, with respect to any Person, the consolidation of accounts of such Person and its Subsidiaries in accordance with GAAP.

“Consolidated Interest Expense” means, with respect to any Person for any period, (a) cash interest expense of such Person and its Subsidiaries determined on a Consolidated basis in accordance with GAAP (including, in the case of PolyOne, the cash interest expense (including, but not limited to, Yield payable hereunder) of the Seller determined in accordance with GAAP), in each case, including interest capitalized during such period and net costs under all interest rate swap, cap, collar or similar agreements and interest rate insurance for such period minus (b) Consolidated net gains of such Person and its Subsidiaries (including, in the case of PolyOne, the Seller) under all interest rate swap, cap, collar or similar agreements and interest rate insurance for such period and minus (c) the Consolidated interest income of such Person and its Subsidiaries (including, in the case of PolyOne, the Seller) for such period.

“Consolidated Net Income” means, for any Person for any period, the net income (or loss) of such Person and its Subsidiaries for such period, determined on a Consolidated basis in conformity with GAAP.

“Contract” means an agreement between any Originator and an Obligor in any written form acceptable to such Originator, or in the case of any open account agreement as evidenced by one of the forms of invoices set forth in Schedule IV hereto or otherwise approved by the Agent from time to time (which approval shall not be unreasonably withheld), pursuant to or under which such Obligor shall be obligated to pay for goods or services from time to time.

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

“Debt” means, without duplication, (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services other than accounts payable arising in the ordinary course of business that are not outstanding for more than 60 days after first becoming due, (iv) obligations as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases, (v) indebtedness of others secured by liens, and (vi) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) above.

“Deposit Account” has the meaning set forth in Article 9 of the UCC.

“Designated Obligor” means, at any time, each Obligor; provided, however, that any Obligor shall cease to be a Designated Obligor upon 3 Business Days’ notice by the Agent to the Seller given in accordance with the Agent’s then current credit guidelines and with the consent or at the request of the Required Purchasers.

“Documentary Letter of Credit” means any Letter of Credit that is drawable upon presentation of documents evidencing the sale or shipment of goods purchased by an Originator in the ordinary course of its business.

“EBITDA” means, with respect to any Person for any period, an amount equal to (a) Consolidated Net Income of such Person for such period plus (b) the sum of, in each case to the extent included as a deduction in the calculation of such Consolidated Net Income of such Person for such period in accordance with GAAP, but without duplication, (i) any provision for income taxes, (ii) Consolidated Interest Expense, (iii) loss from extraordinary items, (iv) depreciation, depletion and amortization of intangibles or financing or acquisition costs, and (v) all other non-cash charges and non-cash losses for such period, including the amount of any compensation deduction as the result of any grant of Stock or Stock Equivalents to employees, officers, directors or consultants, other than charges representing accruals of future cash expenses minus (c) the sum of, in each case to the extent included in the calculation of Consolidated Net Income of such Person for such period in accordance with GAAP, but without duplication, (i) any credit for income tax, (ii) gains from extraordinary items for such period, (iii) any aggregate net gain (but not any aggregate net loss) from the sale, exchange or other disposition of capital assets by such Person, (iv) cash payments for previously reserved charges and (v) any other non-cash gains which have been added in determining Consolidated Net Income, including any reversal of a charge referred to in clause (b)(iv) above by reason of a decrease in the value of any Stock or Stock Equivalent.

“Effective Date” means June 27, 2007.

“Eligible Assignee” means (i) each Initial Purchaser or any of its Affiliates, and (ii) any commercial bank, finance company, insurance company or other financial institution or any other Person, in each case approved by the Agent and the Seller (which approval shall not (x) be unreasonably withheld or delayed or (y) required following the occurrence and during the continuance of an Event of Termination); provided, however, that neither an Originator nor the Seller nor any of their respective Affiliates may be an Eligible Assignee.

“Eligible Receivable” means each Pool Receivable arising out of the sale of merchandise, goods or services in the ordinary course of business by an Originator to a Person that is not an Affiliate of any Originator; provided, however, that a Pool Receivable shall not be an “Eligible Receivable” if any of the following shall be true:

(a) any warranty contained in this Agreement or any other Transaction Document with respect to such specific Receivable is not true and correct with respect to such Receivable; or

(b) the Obligor on such Receivable has disputed liability or made any claim with respect to such Receivable or any other Receivable due from such Obligor to the Seller or any Originator but only to the extent of such dispute or claim; or

(c) the Obligor in respect of such Receivable or any of its Affiliates is also a supplier to or creditor of the Seller or any Originator unless such supplier or creditor has executed a no-offset letter satisfactory to the Agent, in its sole discretion; provided, however, in the event no such no-offset letter has been executed, such Receivable shall be ineligible pursuant to this clause (c) only to the extent of an amount equal to 150% of the aggregate amount of accounts payable or other Debt owing by the Originators to such Obligor or any of its Affiliates as at such date; or

(d) the sale represented by such Receivable is to an Obligor located outside the United States unless the sale is on letter of credit or acceptance terms acceptable to the Agent, in its sole discretion; provided, however, if the Obligor is located in Canada, this clause (d) shall not apply provided the inventory giving rise to the Receivable was shipped from the United States; or

(e) the sale to such Obligor on such Receivable is on a bill-and-hold, guaranteed sale, sale-and-return, sale-on-approval or consignment basis; or

(f) such Receivable is subject to an Adverse Claim in favor of any Person other than the Agent; or

(g) such Receivable is subject to any deduction, offset, counterclaim, return privilege or other conditions other than volume sales discounts given in the ordinary course of the Originators' business; provided, however, such Receivable shall be ineligible pursuant to this clause (g) only to the extent of such deduction, offset, counterclaim, return privilege or other condition; or

(h) the Obligor on such Receivable is located in any State of the United States requiring the holder of such Receivable, as a precondition to commencing or maintaining any action in the courts of such State either to (i) receive a certificate of authorization to do business in such State or be in good standing in such State or (ii) file a Notice of Business Activities Report with the appropriate office or agency of such State, in each case unless the holder of such Receivable has received such a certificate of authority to do business, is in good standing or, as the case may be, has duly filed such a notice in such State; or

(i) the Obligor on such Receivable is a Governmental Authority, unless the applicable Originator and the Seller have each assigned its rights to payment of such Receivable to the Agent pursuant to the Assignment of Claims Act of 1940, as amended, in the case of a federal U.S. Governmental Authority, and pursuant to applicable law, if any, in the case of any other Governmental Authority, and such assignment has been accepted and acknowledged by the appropriate government officers; or

(j) 50% or more of the outstanding Receivables of the Obligor are not, or have been determined by the Agent, in accordance with the provisions hereof, not to be, Eligible Receivables; or

(k) the payment obligation represented by such Receivable is denominated in a currency other than U.S. Dollars; or

(l) such Receivable is not evidenced by an invoice or other writing in form acceptable to the Agent, in its sole discretion; or

(m) any Originator, the Seller or any other Person, in order to be entitled to collect such Receivable, is required to deliver any additional goods or merchandise to, perform any additional service for, or perform or incur any additional obligation to, the Person to whom or to which it was made; or

(n) the total Receivables of such Obligor to the Originators (taken as a whole) represent more than 15% (or such lesser percentage with respect to certain Obligors as the Agent

may determine in its sole discretion in accordance with its customary criteria) of the Eligible Receivables of the Originators (taken as a whole) at such time, but only to the extent of such excess; or

(o) such Receivable is more than (i) 60 days past due according to the original terms of sale, or (ii) 91 days past the original invoice date thereof; provided, however, that a Receivable with extended original terms not in excess of 90 days which are acceptable to the Agent, in accordance with its customary criteria, may be an “Eligible Receivable” provided such Receivable is not more than 120 days past the original invoice date thereof; or

(p) the Obligor on such Receivable has (i) filed a petition for bankruptcy or any other relief under the Bankruptcy Code or any other law relating to bankruptcy, insolvency, arrangement, reorganization or relief of debtors, (ii) made an assignment for the benefit of creditors, (iii) had filed against it any petition or other application for relief under the Bankruptcy Code or any such other law, (iv) failed, suspended business operations, become insolvent, called a meeting of its creditors for the purpose of obtaining any financial concession or accommodation or (v) had or suffered a receiver or a trustee to be appointed for all or a significant portion of its assets or affairs; or

(q) consistent with the Credit and Collection Policy, such Receivable should be written off the Seller’s or any Originator’s books as uncollectible; or

(r) such Receivable shall not be payable into a Lock-Box Account which is the subject of a Lock-Box Agreement; or

(s) such Receivable shall not arise 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; or

(t) such Receivable, together with the Contract related thereto, shall contravene in any material respect any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to usury, consumer protection, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices) or with respect to which any party to the Contract related thereto is in violation of any such law, rule or regulation in any material respect; or

(u) such Receivable shall not (i) satisfy all applicable requirements of the Credit and Collection Policy or (ii) comply with such other reasonable 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; or

(v) such Receivable shall not constitute an “account” within the meaning of Section 9-102(a)(2) of the UCC of the jurisdiction the law of which governs the perfection of the interest created by a Receivable Interest; or

(w) the Agent, in accordance with its customary criteria, determines, in its sole discretion, that such Receivable might not be paid or is otherwise ineligible.

For the avoidance of doubt, it is acknowledged and agreed that any calculation of ineligibility made pursuant to more than one clause above shall be made without duplication.

“Equity Affiliate” means, with respect to any Person, any corporation, partnership, limited liability company or other business entity of which an aggregate of less than 50% of the Voting Interests is, at the time, directly or indirectly, owned or controlled by such Person or one or more Subsidiaries or Equity Affiliates of such Person and which such Person accounts for in its consolidated financial statements on an equity basis pursuant to GAAP.

“Equity Interest” 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.

“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 Seller’s controlled group, or under common control with the Seller, within the meaning of Section 414 of the Code.

“Eurocurrency Liabilities” has the meaning assigned to that term in Regulation D of the Federal Reserve Board.

“Events of Termination” has the meaning specified in Section 7.01.

“Fair Market Value” means (a) with respect to any asset or group of assets (other than a marketable security) at any date, the value of the consideration obtainable in a sale of such asset at such date assuming a sale by a willing seller to a willing purchaser dealing at arm’s length and arranged in an orderly manner over a reasonable period of time having regard to the nature and characteristics of such asset, and, with respect to the sale of assets with a book value in excess of \$25,000,000, as such sale is reasonably approved by the Board of Directors of PolyOne or, if such asset shall have been the subject of a relatively contemporaneous appraisal by an independent third party appraiser, the basic assumptions underlying which have not materially changed since its date, the value set forth in such appraisal and (b) with respect to any marketable security at any date, the closing sale price of such security on the Business Day next preceding such date, as appearing in any published list of any national securities exchange or the NASDAQ Stock Market or, if there is no such closing sale price of such Security, the final price for the purchase of such security at face value quoted on such Business Day by a financial institution of recognized standing regularly dealing in securities of such type and selected by the Agent.

“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.

“Fiscal Period” means a calendar month, a fiscal quarter or a Fiscal Year.

“Fiscal Year” means each twelve-month period ending on December 31.

“Fixed Charge Coverage Ratio” means, at any date of determination, the ratio of (i) Adjusted EBITDA of PolyOne less Consolidated Capital Expenditures of PolyOne and its Subsidiaries to (ii) Consolidated Interest Expense of PolyOne and its Subsidiaries plus scheduled repayments of principal on Debt to be made by PolyOne or its Subsidiaries during the immediately succeeding four fiscal quarter period plus Restricted Payments, plus net cash payment of taxes to the extent included in the calculation of EBITDA, in each case (other than in the case of scheduled repayments of principal on Debt) for the four fiscal quarter period ending on such date or, if such date is not the last day of a fiscal quarter, for the immediately preceding four fiscal quarter period.

“GAAP” means generally accepted accounting principles in the United States consistently applied and in effect from time to time.

“Governmental Authority” means any nation, sovereign or government, any state, or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any central bank.

“Indemnified Amounts” has the meaning specified in Section 10.01.

“Indemnified Party” means any or all of the Purchasers, the Assignees, each of the Issuing Banks and the Agent and their respective Affiliates and successors and assigns and their respective officers, directors, managers, managing members, partners and employees.

“Intercreditor Agreement” means the amended and restated intercreditor agreement, dated June 6, 2006, between the Agent, Citicorp USA, Inc, as agent for the beneficiaries under the Guarantee and Agreement (as defined therein) and, U.S. Bank Trust National Association, not in its individual capacity but solely as collateral trustee (the “Corporate Trustee”).

“Investment” in any Person means any loan or advance to such Person, any purchase or other acquisition of any capital stock or other ownership or profit interest, warrants, rights, options, obligations or other securities of such Person, any capital contribution to such Person or any other investment in such Person.

“Issue” means, with respect to any Letter of Credit, to issue, extend the expiry of, renew or increase the maximum face amount (including by deleting or reducing any scheduled decrease in such maximum face amount) of, such Letter of Credit. The terms “Issued” and “Issuance” shall have a corresponding meaning.

“L/C Fee” has the meaning specified in Section 2.11.

“L/C Issuance Fee” has the meaning specified in Section 2.11.

“L/C Issuance Fee Rate” means 0.25% per annum.

“Letter of Credit” means any letter of credit Issued or deemed Issued pursuant to Section 2.04.

“Letter of Credit Obligations” means, at any time, the aggregate of all liabilities at such time of the Seller to the Issuing Banks with respect to Letters of Credit, whether or not any such liability is contingent.

“Letter of Credit Reimbursement Agreement” has the meaning specified in Section 2.04.

“Letter of Credit Request” has the meaning specified in Section 2.04.

“Letter of Credit Submit” means the lesser of (i) \$40,000,000 or (ii) the maximum amount, that when added to all other applicable indebtedness of PolyOne and its Subsidiaries, would not require PolyOne or any of its Subsidiaries to provide collateral to secure any existing or future indebtedness of PolyOne or such Subsidiary.

“Letter of Credit Undrawn Amounts” means, at any time, the aggregate undrawn face amount of all Letters of Credit outstanding at such time.

“LIBO Rate” means, with respect to any Yield Period for any Capital Investment made at the Citicorp LIBO Rate, the rate determined by the Agent to be the offered rate for deposits in Dollars for the applicable Yield Period appearing on the MoneyLine Telerate Page 3750 as of 11:00 a.m., London time, on the second full Business Day next preceding the first day of each Yield Period. In the event that such rate does not appear on the MoneyLine Telerate Page 3750 (or otherwise on the MoneyLine screen), the LIBO Rate for the purposes of this definition shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Agent, or, in the absence of such availability the LIBO Rate shall be the rate of interest determined by the Agent to be the rate per annum at which deposits in Dollars are offered by the principal office of CNA in London to major banks in the London interbank market at 11:00 a.m. (London time) 2 Business Days before the first day of such Yield Period in an amount substantially equal to the Capital Investment of CNA for a period equal to such Yield Period.

“Liquidation Cost” has the meaning set forth in Section 2.12.

“Liquidation Day” means, for any Receivable Interest, each day which occurs on or after the Termination Date.

“Lock-Box Account” means a Deposit Account (including, without limitation, any concentration account) maintained at a Lock-Box Bank for the purpose of receiving Collections and subject to a valid Lock-Box Agreement.

“Lock-Box Agreement” means an agreement, in substantially the form of Exhibit C hereto (with such modifications thereto as consented to by the Agent), between any Originator or the Seller, as the case may be, the Agent, and a Lock-Box Bank.

“Lock-Box Bank” means any of the banks specified on Schedule I hereof and any other bank specified as a “Lock-Box Bank” in accordance with this Agreement, in each case holding one or more Lock-Box Accounts.

“Material Adverse Change” means a material adverse change in any of (a) the condition (financial or otherwise), business, performance, prospects, operations, contingent liabilities, material

obligations, or properties of the Seller, PolyOne, any Originator, or PolyOne and its Subsidiaries taken as a whole, (b) the collectibility of the Pool Receivables, or the ability of the Servicer (if PolyOne or any of its Affiliates) to collect Pool Receivables, (c) the legality, validity or enforceability of any Transaction Document, (d) the ability of the Seller, the Servicer, PolyOne or any Subsidiaries of PolyOne to perform their respective obligations under the Transaction Documents or (e) the rights and remedies of the Seller, Agent, the Purchasers or the Issuing Banks under the Transaction Documents.

“Material Adverse Effect” means an effect that results in or causes, or could reasonably be expected to result in or cause, a Material Adverse Change.

“Multiemployer Plan” means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Seller or any ERISA Affiliate 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 Seller or any ERISA Affiliate and at least one Person other than the Seller and the ERISA Affiliates or (b) was so maintained and in respect of which the Seller or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

“Net Receivables Pool Balance” means at any time the Outstanding Balance of the Eligible Receivables in the Receivables Pool as at such time reduced by Unapplied Cash and Credits, volume rebates, credits in past due, offsets and other dilution and such other reductions as the Agent in its sole discretion deems appropriate.

“Notice of Conversion or Continuation” has the meaning specified in Section 2.16(a).

“Notice of Purchase” has the meaning specified in Section 2.02(a).

“Obligor” means a Person obligated to make payments pursuant to a Contract.

“Originator” means PolyOne, and such other of PolyOne’s wholly owned Subsidiaries as determined from time to time by PolyOne and consented to in writing by the Agent; provided, however, that any Originator shall cease to be an Originator upon (i) the occurrence of any event set forth in Section 7.01(f) as to such Originator, (ii) PolyOne, one or more direct or indirect wholly-owned Subsidiaries of PolyOne, or a corporation owned directly or indirectly by the stockholders of PolyOne in substantially the same proportions as their ownership of stock of PolyOne ceasing to own, directly or indirectly, 100% of the Equity Interests of such Originator, or (iii) 3 Business Days’ notice to such effect by the Agent (with the consent or at the request of the Required Purchasers) to the Seller following the occurrence of any Event of Termination as to such Originator; provided, however, that such Originator shall continue to be an Originator for purposes of all Pool Receivables existing, and in which interests have been created hereunder, prior to the occurrence of any event set forth in clauses (i) through (iii) in the preceding proviso (and all terms and conditions of all Transaction Documents to which such Originator is a party shall remain binding on such Originator generally and specifically with respect to such Pool Receivables until no such Pool Receivables remain outstanding and such Originator shall have satisfied in full all of its obligations under the Transaction Documents).

“Other Taxes” has the meaning specified in Section 2.14(b).



“Outstanding Balance” of any Receivable at any time means the then outstanding principal balance thereof, as of the date of determination.

“Owner” means, in respect of each Receivable Interest, upon its purchase by any of the Purchasers or the Swing Purchaser, as the case may be, the purchaser thereof; provided, however, that, upon any assignment thereof pursuant to Article IX, the Assignee thereof shall be an Owner thereof.

“PEFI” means PolyOne Engineered Films, Inc., a Virginia corporation, a wholly owned Subsidiary of PolyOne.

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

“Plan” means a Single Employer Plan or a Multiple Employer Plan.

“Pool Receivable” means a Receivable in the Receivables Pool.

“Potential Event of Termination” means any event that, with the giving of notice or the passage of time or both, would constitute an Event of Termination.

“Prior Agreement” has the meaning assigned to such term in the recital of parties hereto.

“Prior Sale Agreement” means that certain Receivables Sale Agreement, dated as of May 26, 2003 as amended and restated by the Amended and Restated Receivables Sale Agreement dated as of July 26, 2005 (as amended, supplemented or otherwise modified), among each Originator, the Seller and PolyOne as the Buyer’s Servicer thereunder.

“Prior Effective Date” means July 26, 2005.

“Purchase” means a purchase by the Purchasers or the Swing Purchaser of a Receivable Interest from the Seller pursuant to Article II.

“Purchasers” means the Initial Purchasers and each Assignee that shall become a party hereto pursuant to Section 9.01.

“Receivable” means the indebtedness (whether constituting accounts or general intangibles or chattel paper or otherwise) of any Obligor under a Contract, and, includes the right to payment of any interest or finance charges and other obligations of such Obligor with respect thereto.

“Receivable Interest” means, at any time, an undivided percentage ownership interest at such time in (a) 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 2.06, (b) all Related Security with respect to such Pool Receivables and (c) all Collections with respect to, and other proceeds of, such Pool Receivables. Such undivided percentage interest for such Receivable Interest shall be computed as:

$$\frac{C + AR}{NRPB}$$

where:

C = the outstanding Capital Investment made in connection with such Receivable Interest at the time of such computation;  
AR = the aggregate Applicable Reserve at the time of such computation;  
NRPB = the Net Receivables Pool Balance at the time of such computation;

provided, however, that upon the occurrence of any Termination Date that results from the occurrence and continuance of an Event of Termination pursuant to Section 7.01 (such Termination Date being the "Special Termination Date"), the Receivable Interests then outstanding under this Agreement, if more than one Receivable Interest, shall be combined into one Receivable Interest hereunder (such one Receivable Interest, whether the one Receivable Interest then outstanding or the one Receivable Interest resulting from such combination of Receivable Interests, being the "Special Receivable Interest") and such Special Receivable Interest shall then be recomputed to be, and shall be fixed at all times thereafter at, an undivided percentage ownership interest of one hundred percent (100%) in (i) all then outstanding Pool Receivables arising prior to the Special Termination Date, (ii) all Related Security with respect to such Pool Receivables and (iii) all Collections with respect to, and other proceeds of, such Pool Receivables.

Each Receivable Interest shall be determined from time to time pursuant to the provisions of Section 2.06.

"Receivables Excess Availability" means the sum of (a) (i) Available Capital under the Canadian RPA and (ii) Available Capital under this Agreement plus (b) cash proceeds of Pool Receivables in a Deposit Account in the Agent's name.

"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 the initial creation of an interest in such Receivable under this Agreement.

"Receivables Report" means a report, in substantially the form of Exhibit B-2 hereto, furnished by the Servicer to the Agent for the Owners pursuant to Section 2.09.

"Records" means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable and the related Obligor.

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

"Reimbursement Date" has the meaning specified in Section 2.04(h).

"Reimbursement Obligations" means all matured reimbursement or repayment obligations of the Seller to the Issuing Banks with respect to amounts drawn under Letters of Credit.

"Related Security" means with respect to any Receivable:

- (i) all of the Seller's interest in the goods (including returned goods), 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;

(iii) all letter of credit rights, 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;

(iv) all Records relating to such Receivable;

(v) all of the Seller's right, title and interest in and to the following: the Second Amended and Restated Receivables Sale Agreement, including, without limitation, (i) all rights to receive moneys due and to become due under or pursuant to the Second Amended and Restated Receivables Sale Agreement, (ii) all rights to receive proceeds of any indemnity, warranty or guaranty with respect to the Second Amended and Restated Receivables Sale Agreement, (iii) claims for damages arising out of or for breach of or default under the Second Amended and Restated Receivables Sale Agreement, and (iv) the right to perform under the Second Amended and Restated Receivables Sale Agreement and to compel performance and otherwise exercise all remedies thereunder; and

(vi) all proceeds of any and all of the foregoing (including, without limitation, proceeds which constitute property of the types described in clause (v) above).

“Required Net Receivables Pool Balance” means, at any time, the sum of (i) the aggregate outstanding Capital at such time plus (ii) the Letter of Credit Undrawn Amounts at such time plus (iii) the aggregate Applicable Reserve at such time.

“Required Purchasers” means at any time Purchasers holding more than 50% of the aggregate Commitments of the Purchasers.

“Requirement of Law” means, with respect to any Person, the common law and all federal, state, local and foreign laws, rules and regulations, orders, judgments, decrees and other determinations of any Governmental Authority or arbitrator, applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Reserve Percentage” means 15%, provided that the Reserve Percentage may, upon at least one Business Day's notice by the Agent to the Seller and the Servicer, be increased or decreased by the Agent at any time and in its discretion in accordance with its then current credit guidelines and provided, further, that the Reserve Percentage may not be decreased to less than 15% by the Agent at any time except with the written consent or at the written request of all of the Purchasers in accordance with Section 11.01.

“Responsible Officer” means, with respect to any Person, the chief executive officer, the president, the chief financial officer, vice president, corporate controller, treasurer, assistant treasurer, secretary, assistant secretary, managing members or general partners of such Person but, in any event, with respect to financial matters, the chief financial officer, treasurer or controller of such Person.

“Restricted Payment” means, with respect to the Servicer, (a) any dividend, distribution or any other payment whether direct or indirect, on account of any Stock or Stock Equivalent of the Servicer now or hereafter outstanding (other than dividends or distributions payable solely in common Stock of the

Servicer) and (b) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any Stock or Stock Equivalent of the Servicer now or hereafter outstanding.

“Second Amended and Restated Consent and Agreement” means the Second Amended and Restated Consent and Agreement, dated as of the Effective Date, in substantially the form of Exhibit E hereto, duly executed by the Seller and each Originator.

“Second Amended and Restated Fee Letter” means the Second Amended and Restated Fee Letter agreement, dated June 26, 2007, among the Seller, Citicorp and Citigroup Global Markets Inc., as the same may from time to time be amended, supplemented or otherwise modified.

“Second Amended and Restated Letter of Credit Agreement” means a letter of credit reimbursement agreement between Seller and each Originator in form and substance acceptable to Agent.

“Second Amended and Restated Parent Undertaking” means the Second Amended and Restated Undertaking Agreement in the form attached hereto as Exhibit K hereto, dated as of June 26, 2007, by PolyOne in favor of the Agent, the Issuing Banks, the Syndication Agent, the Purchasers and the other Owners, as the same may from time to time be amended, supplemented or otherwise modified with the prior written consent of the Agent.

“Second Amended and Restated Receivables Sale Agreement” means the Second Amended and Restated Receivables Sale Agreement, dated as of June 26, 2007, in substantially the form of Exhibit D hereto, among each Originator, the Seller and PolyOne as the Buyer’s Servicer thereunder, as the same may from time to time be amended, supplemented or otherwise modified with the prior written consent of the Required Purchasers.

“Second Amended and Restated Subordinated Note” has the meaning specified in the Second Amended and Restated Receivables Sale Agreement.

“Seller Report” means a report, in substantially the form of Exhibit B-1 hereto, furnished by the Servicer to the Agent for each Owner pursuant to Section 2.09.

“Seller’s Account” means the Deposit Account of the Seller (account number 104-9893) maintained with Mellon Financial Corporation at its office at 500 Ross Street, Room 154-0490, Pittsburgh, Pennsylvania 15262-0001, Attention: Tim Friday.

“Senior Note Indenture” means the Indenture, dated as of May 6, 2003, between PolyOne Corporation and The Bank of New York, as Trustee governing the 10<sup>5</sup>/<sub>8</sub>% Senior Notes, as such indenture may be amended, restated or otherwise modified with the prior written consent of the Agent (except for modifications that do not materially adversely affect the interests of the Purchasers under the Transaction Documents or in the Receivables with respect to which no written consent shall be required).

“Servicer” has the meaning specified in Section 6.01.

“Servicer Fee” has the meaning specified in Section 2.11.

“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 Seller or any ERISA Affiliate and no Person other than the Seller and the ERISA Affiliates or (b) was so maintained and in respect of which the Seller or

any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

“Solvent” means, with respect to any Person as of any date of determination, that, as of such date, (a) the value of the assets of such Person (both at fair value and present fair saleable value) is greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such Person, (b) such Person is able to pay all liabilities of such Person as such liabilities mature and (c) such Person does not have unreasonably small capital. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities shall be computed at the amount that, in 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.

“Special Receivable Interest” has the meaning specified in the definition of “Receivable Interest” contained in this Section 1.01.

“Special Termination Date” has the meaning specified in the definition of “Receivable Interest” contained in this Section 1.01.

“Standby Letter of Credit” means any Letter of Credit that is not a Documentary Letter of Credit.

“Stock” means shares of capital stock (whether denominated as common stock or preferred stock), beneficial, partnership or membership interests, participations or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity, whether voting or non-voting.

“Stock Equivalents” means all securities convertible into or exchangeable for Stock and all warrants, options or other rights to purchase or subscribe for any Stock, whether or not presently convertible, exchangeable or exercisable.

“Subsidiary” means, with respect to any Person, any corporation, partnership, limited liability company or other business entity of which an aggregate of more than 50% of the Voting Interests is, at the time, directly or indirectly, owned or controlled by such Person or one or more Subsidiaries of such Person.

“Super-Majority Purchasers” means at any time Purchasers holding at least 80% of the aggregate Commitments of the Purchasers.

“Swing Purchase” has the meaning specified in Section 2.03.

“Swing Purchase Request” has the meaning specified in Section 2.03(b).

“Swing Purchase Sublimit” means \$25,000,000.

“Swing Purchaser” means Citicorp or any other Purchaser that becomes the Agent or agrees, with the approval of the Agent and the Seller, to act as the Swing Purchaser hereunder, in each case in its capacity as the Swing Purchaser hereunder.

“Taxes” has the meaning specified in Section 2.14(a).

“10<sup>5</sup>/8% Senior Notes” means the 10<sup>5</sup>/8% Senior Notes due May 6, 2010 issued by PolyOne.

“Termination Date” means the earlier of (i) the Commitment Termination Date, and (ii) the date of termination in whole of the aggregate Commitments pursuant to Section 2.05 or 7.01.

“Total Commitment” means \$175,000,000 as such amount may be reduced from time to time pursuant to Section 2.05.

“Total Excess Availability” means the sum of (i) Receivables Excess Availability plus (ii) the total amount actually available to be borrowed by PolyOne and its Subsidiaries, or any of them, under a working capital facility, whether entered into at or after the date hereof.

“Transaction Documents” means this Agreement, the Second Amended and Restated Receivables Sale Agreement, the Second Amended and Restated Subordinated Notes, the Second Amended and Restated Parent Undertaking, the Lock-Box Agreements, the Second Amended and Restated Consent and Agreement, the Second Amended and Restated Fee Letter, the Intercreditor Agreement, and each certificate, agreement or document executed by the Seller, the Servicer, or an Originator and delivered to the Agent or any Purchaser in connection with or pursuant to any of the foregoing.

“UCC” means, at any time, the Uniform Commercial Code as from time to time in effect in the State of New York at such time; provided, however, that in the event that, by reason of mandatory provisions of law, any or all of the interests of the Agent or the Purchasers under any Transaction Document is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term “UCC” shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions, regardless of whether the same would be so shown.

“Unapplied Cash and Credits” means, at any time the aggregate amount of Collections or other cash or credits then held by or for the account of the Servicer, any Originator or the Seller in respect of the payment of Pool Receivables, but not yet applied or reinvested pursuant to Section 2.07 or applied pursuant to Section 2.08.

“United States” and “U.S.” each means United States of America.

“Unused Commitment” means, with respect to any Purchaser at any time, (a) such Purchaser’s Commitment at such time minus (b) that aggregate outstanding Capital of Receivable Interests paid by such Purchaser pursuant to Section 2.02 and not reduced by Collections received and distributed to such Purchaser on account of such Capital pursuant to Section 2.07 or 2.08.

“Unused Commitment Fee” has the meaning specified in Section 2.11.

“Unused Commitment Fee Rate” means (i) for an initial period commencing on the Effective Date and ending on the first day of the month immediately following the month in which the Servicer delivers PolyOne’s financial statements for the Fiscal Period ending June 30, 2007, 0.250% per annum, and (ii) thereafter, as of any date of determination, a per annum rate equal to the rate set forth below opposite the then applicable Average Monthly Excess Availability (determined on the last day of the most recently concluded calendar month for which financial statements have been delivered):

<u>Average Monthly Excess Availability</u>	<u>Unused Commitment Fee Rate</u>
Greater than \$120,000,000	0.375%
Less than or equal to \$120,000,00 and greater than \$60,000,000	0.250%
Less than or equal to \$60,000,000	0.250%

provided, however, that upon the occurrence and during the continuance of an Event of Termination, the “Unused Commitment Fee Rate” shall be the highest rate set forth in the table above. Changes in the Unused Commitment Fee Rate resulting from a change in the Average Monthly Excess Availability for any month shall become effective on the first day of the next consecutive calendar month.

“U.S. Dollars” and “\$” each means the lawful currency of the United States.

“Voting Interests” means shares of capital stock issued by a corporation, or equivalent Equity 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.

“Welfare Plan” means a welfare plan, as defined in Section 3(1) of ERISA.

“Yield” means (a) for each Capital Investment made at the Citicorp LIBO Rate, for any Yield Period:

$$\frac{CR \times C \times ED}{360} + LC$$

where:

CR = the Citicorp LIBO Rate for such Capital Investment for such Yield Period;

C = the amount of such Capital Investment;

ED = the actual number of days elapsed during such Yield Period; and

LC = all Liquidation Costs, if any, for such Receivable Interest for such Yield Period; and

(b) for each Capital Investment made at the Citicorp Base Rate for any period of time:

$$\frac{CR \times C \times ED}{360}$$

where:

CR = the Citicorp Base Rate from time to time;

C = the amount of such Capital Investment; and

ED = the actual number of days elapsed;

provided, that no provision of this Agreement shall require the payment or permit the collection of Yield in excess of the maximum permitted by applicable law; provided, further, that Yield for any Capital Investment shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

“Yield Payment Date” means, (a) in respect of Capital Investments made at the Citicorp Base Rate (including but not limited to the Swing Purchases) (i) the first Business Day of each calendar month, commencing on the first such day following the making of such Capital Investment and (ii) if not previously paid in full, on the Termination Date, (b) in respect of Capital Investments made at the Citicorp LIBO Rate, (i) the last day of each Yield Period applicable to such Capital Investment and, if such Yield Period has a duration of more than one month, on each day during such Yield Period occurring every month from the first day of such Yield Period, (ii) upon the payment or prepayment thereof in full or in part and (iii) if not previously paid in full, on the Termination Date, (c) in respect of the Unused Commitment Fee and the L/C Fees, (i) the first Business Day of each calendar month and (ii) if not previously paid in full, on the Termination Date, and (d) with respect to all other obligations of the Seller hereunder, on demand by the Agent from and after the time such obligation becomes due and payable (whether by acceleration or otherwise).

“Yield Period” means, in the case of any Capital Investment made at the Adjusted LIBO Rate, (a) initially, the period commencing on the date such Capital Investment is made or on the date of conversion of a Capital Investment made at the Alternate Base Rate to a Capital Investment made at the Adjusted LIBO Rate and ending one, two, or three months thereafter, as selected by the Seller in its Notice of Purchase and (b) thereafter, if such Capital Investment is continued, in whole or in part, as a Capital Investment made at the Adjusted LIBO Rate, a period commencing on the last day of the immediately preceding Yield Period therefor and ending one, two, or three months thereafter, as selected by the Seller in its Notice of Conversion or Continuation given to the Agent; provided, however, that all of the foregoing provisions relating to Yield Periods in respect of Capital Investment made at the Adjusted LIBO Rates are subject to the following:

(i) if any Yield Period would otherwise end on a day that is not a Business Day, such Yield Period shall be extended to the next succeeding Business Day, unless the result of such extension would be to extend such Yield Period into another calendar month, in which event such Yield Period shall end on the immediately preceding Business Day;

(ii) any Yield Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Yield Period) shall end on the last Business Day of a calendar month;



(iii) the Seller may not select any Yield Period that ends after the Commitment Termination Date; and

(iv) there shall be outstanding at any one time no more than 7 Yield Periods in the aggregate.

#### **Section 1.02. Other Terms.**

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. 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 means “to but excluding”.

## **ARTICLE II**

### **AMOUNTS AND TERMS OF THE PURCHASES**

#### **Section 2.01. Commitment.**

(a) On the terms and conditions herein set forth, each Purchaser severally agrees to make Purchases (i) on the Effective Date and from time to time thereafter on any Business Day during the period from the Effective Date to the Termination Date and (ii) in an aggregate amount for such Purchaser not to exceed at any time outstanding such Purchaser’s Commitment; provided, however, that no Purchaser shall be obligated to make any Purchase if, after giving effect to such Purchase, (A) the sum of (x) the Capital then outstanding plus (y) the Letter of Credit Undrawn Amounts, would exceed (B) the lesser of (x) the Total Commitment and (y)(i) the Net Receivables Pool Balance minus (ii) the Applicable Reserve. Purchases shall be made by the Purchasers simultaneously and ratably in accordance with their respective Commitments.

(b) On the terms and conditions hereinafter set forth, the Agent on behalf of the Owners of each Receivable Interest shall, at the request of the Seller, have the Collections attributable to such Receivable Interest reinvested pursuant to Section 2.07 in additional undivided percentage interests in the Pool Receivables by making an appropriate adjustment of such Receivable Interest.

#### **Section 2.02. Making Purchases.**

(a) Each Purchase of a Receivable Interest by the Purchasers shall be made on notice from the Seller to the Agent, given not later than 11:00 a.m. (New York City time) (i) on the third Business Day before the date of such Purchase in the case of the Purchase of any Receivable Interest initially bearing Yield at the Citicorp LIBO Rate and (ii) on the Business Day before the date of such Purchase in the case of the Purchase of any Receivable Interest initially bearing Yield at the Citicorp Base Rate. Each such notice of a proposed Purchase of a Receivable Interest (a “Notice of Purchase”) shall be by telephone (confirmed promptly thereafter in writing) or facsimile, in substantially the form of Exhibit F hereto, and shall specify the requested aggregate amount of such Purchase to be paid to the Seller and the requested Business Day of such Purchase. Each Purchase of any Receivable Interest initially bearing

Yield at the Citicorp LIBO Rate shall be in an aggregate amount of not less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and each Purchase of any Receivable Interest initially bearing Yield at the Citicorp Base Rate shall be in an aggregate amount of not less than \$1,000,000 or an integral multiple of \$1,000,000 in excess thereof.

(b) The Agent shall give each Purchaser prompt notice of such proposed Purchase, the date of such Purchase, and the amount of Capital to be paid by such Purchaser in connection with such Purchase, by telephone or telefax. On the date of such Purchase, each Purchaser shall, upon satisfaction of the applicable conditions set forth in Article III, make available to the Agent its ratable share of the aggregate amount of such Purchase by deposit of such ratable share in same day funds to the Agent's Account, and, after receipt by the Agent of such funds, the Agent shall cause such funds to be made immediately available to the Seller at the Seller's Account.

(c) Each Notice of Purchase delivered pursuant to Section 2.02(a) shall be irrevocable and binding on the Seller. The Seller shall indemnify each Purchaser against any actual loss or expense incurred by such Purchaser as a result of any failure to fulfill on or before the date of any proposed Purchase (as to which a Notice of Purchase has been given pursuant to Section 2.02(a)) the applicable conditions set forth in Article III, including, without limitation, any actual loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Purchaser to fund its ratable portion of such proposed Purchase when such Purchase, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Purchaser prior to the date of any Purchase that such Purchaser will not make available to the Agent such Purchaser's ratable portion of such Purchase, the Agent may assume that such Purchaser has made such portion available to the Agent on the date of such Purchase in accordance with Section 2.02(b), and the Agent may, in reliance upon such assumption, make available to the Seller on such date a corresponding amount. However, if the Agent has received such notice from such Purchaser, the Agent may not make such assumption and may not make available to the Seller on such date such corresponding amount. If and to the extent that such Purchaser (other than a Purchaser that has delivered to the Agent a notice of the type described in the two immediately preceding sentences) shall not have made such ratable portion available to the Agent and the Agent has made such ratable portion available to the Seller, such Purchaser and the Seller severally agree to pay (to the extent not repaid by the Seller or such Purchaser, respectively) 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 the Seller until the date such amount is repaid to the Agent, at (i) in the case of the Seller, the Yield applicable to such amount and (ii) in the case of such Purchaser, the Federal Funds Rate. If such Purchaser shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Purchaser's ratable portion of such Purchase for purposes of this Agreement.

(e) The failure of any Purchaser to make available such Purchaser's ratable portion of any Purchase shall not relieve any other Purchaser of its obligation, if any, hereunder to make available such other Purchaser's ratable portion of such Purchase on the date of such Purchase, but no Purchaser shall be responsible for the failure of any other Purchaser to make available such other Purchaser's ratable portion of such Purchase on the date of any Purchase. Nothing herein shall prejudice any rights that the Seller may have against any Purchaser as a result of any default by such Purchaser hereunder.

### **Section 2.03. Swing Purchases**

(a) On the terms and subject to the conditions contained in this Agreement, the Swing Purchaser may, in its sole discretion, make, in U.S. Dollars, Purchases (each a "Swing Purchase")

otherwise committed to the Seller hereunder from time to time on any Business Day during the period from the date hereof until the Termination Date in an aggregate principal amount at any time outstanding (together with the aggregate outstanding principal amount of any other Purchase made by the Swing Purchaser hereunder in its capacity as the Swing Purchaser) not to exceed the Swing Purchase Sublimit; provided, however, that at no time shall the Swing Purchaser make any Swing Purchase to the extent that, after giving effect to such Swing Purchase, (A) the sum of (x) the Capital then outstanding plus (y) the Letter of Credit Undrawn Amounts, would exceed (B) the lesser of (x) the Total Commitment and (y)(i) the Net Receivables Pool Balance minus (ii) the Applicable Reserve.

(b) In order to request a Swing Purchase, the Seller shall telecopy (or forward by electronic mail or similar means) to the Agent a duly completed request in substantially the form of Exhibit G, setting forth the requested amount and date of such Swing Purchase (a “Swing Purchase Request”), to be received by the Agent not later than 12:00 p.m. (New York City time) on the day of the proposed purchase. The Agent shall promptly notify the Swing Purchaser of the details of the requested Swing Purchase. Subject to the terms of this Agreement, the Swing Purchaser may make the Capital Investment in connection with such Swing Purchase available to the Agent and, in turn, the Agent shall make such amounts available to the Seller on the date of the relevant Swing Purchase Request. The Swing Purchaser shall not make any Swing Purchase in the period commencing on the first Business Day after it receives written notice from the Agent or any Purchaser that one or more of the conditions precedent contained in Section 3.02 shall not on such date be satisfied, and ending when such conditions are satisfied. The Swing Purchaser shall not otherwise be required to determine that, or take notice whether, the conditions precedent set forth in Section 3.02 have been satisfied in connection with the making of any Swing Purchase. Each Swing Purchase shall be in an aggregate amount of not less than \$100,000.

(c) The Swing Purchaser shall notify the Agent in writing (which writing may be a telecopy or electronic mail) weekly, by no later than 10:00 a.m. (New York City time) on the first Business Day of each week, of the aggregate principal amount of its Capital Investment in connection with Swing Purchases.

(d) The Swing Purchaser may demand at any time that each Purchaser pay to the Agent, for the account of the Swing Purchaser, in the manner provided in clause (e) below, such Purchaser’s ratable portion of all or a portion of the Swing Purchaser’s Capital outstanding in connection with Swing Purchases, which demand shall be made through the Agent, shall be in writing and shall specify the outstanding principal amount of the Capital demanded to be so reduced.

(e) The Agent shall forward each notice referred to in clause (c) above and each demand referred to in clause (d) above to each Purchaser on the day such notice or such demand is received by the Agent (except that any such notice or demand received by the Agent after 2:00 p.m. (New York City time) on any Business Day or any such demand received on a day that is not a Business Day shall not be required to be forwarded to the Purchasers by the Agent until the next succeeding Business Day), together with a statement prepared by the Agent specifying the amount of each Purchaser’s ratable portion of the aggregate principal amount of the Capital in connection with Swing Purchases stated to be outstanding in such notice or demanded to be paid pursuant to such demand, and, notwithstanding whether or not the conditions precedent set forth in Section 3.02 and 2.01 shall have been satisfied (which conditions precedent the Purchasers hereby irrevocably waive), each Purchaser shall, before 11:00 a.m. (New York City time) on the Business Day next succeeding the date of such Purchaser’s receipt of such notice or demand, make available to the Agent, in immediately available funds, for the account of the Swing Purchaser, the amount specified in such statement; provided, however, that notwithstanding anything to the contrary in the foregoing, no Purchaser shall be obligated to purchase a ratable portion of, or otherwise pay any sum in respect of, a Swing Purchase if the purchase by such Purchaser of a ratable

portion of, or payment of other sum in respect of, such Swing Purchase would cause such Purchaser's aggregate Capital Investment to exceed its Commitment. Upon such purchase by a Purchaser, such Purchaser shall, except as provided in clause (f), be deemed to have made a Purchase with a Capital Investment equal to the amount actually paid by such Purchaser. The Agent shall use such funds to reduce the Swing Purchaser's Capital in respect of Swing Purchases.

(f) Upon the occurrence of an Event of Termination under Section 7.01(f), each Purchaser shall acquire, without recourse or warranty, an undivided participation in each Swing Purchase otherwise required to be repaid by such Purchaser pursuant to clause (e) above, which participation shall be in a principal amount equal to such Purchaser's Receivable Interest in such Swing Purchase, by paying to the Swing Purchaser on the date on which such Purchaser would otherwise have been required to make a payment in respect of such Swing Purchase pursuant to clause (e) above, in immediately available funds, an amount equal to such Purchaser's Receivable Interest of such Swing Purchase. If all or part of such amount is not in fact made available by such Purchaser to the Swing Purchaser on such date, the Swing Purchaser shall be entitled to recover any such unpaid amount on demand from such Purchaser together with interest accrued from such date at the Federal Funds Rate for the first Business Day after such payment was due and thereafter at the Citicorp Base Rate.

(g) From and after the date on which any Purchaser (i) is deemed to have made a Purchase pursuant to clause (e) above with respect to any Swing Purchase or (ii) purchases an undivided participation interest in a Swing Purchase pursuant to clause (f) above, the Swing Purchaser shall promptly distribute to such Purchaser such Purchaser's Receivable Interest of all payments of principal of and interest received by the Swing Purchaser on account of such Swing Purchase other than those received from a Purchaser pursuant to clause (e) or (f) above.

#### **Section 2.04. Letters of Credit**

(a) On the terms and subject to the conditions contained in this Agreement, each Issuing Bank agrees to Issue, at the request of the Seller, and in favor of the beneficiaries requested by the Seller, one or more Letters of Credit from time to time on any Business Day during the period from the Effective Date and to and including the earlier of the Termination Date and 30 days prior to the Commitment Termination Date; provided, however, that no Issuing Bank shall be under any obligation to Issue any Letter of Credit upon the occurrence of any of the following:

(i) any order, judgment or decree of any Governmental Authority or arbitrator shall purport by its terms to enjoin or restrain such Issuing Bank from Issuing such Letter of Credit or any Requirement of Law applicable to such Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Bank shall prohibit, or request that such Issuing Bank refrains from, the Issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Bank with respect to such Letter of Credit any restriction or reserve or capital requirement (for which such Issuing Bank is not otherwise compensated) not in effect on the date of this Agreement or result in any unreimbursed loss, cost or expense that was not applicable, in effect or known to such Issuing Bank as of the date of this Agreement and that such Issuing Bank in good faith deems material to it;

(ii) such Issuing Bank shall have received any written notice of the type described in clause (d) below;

(iii) after giving effect to the Issuance of such Letter of Credit, the aggregate Capital plus the aggregate Letter of Credit Undrawn Amounts at such time would exceed the lesser of (a) the Total Commitment and (b)(i) the Net Receivables Pool Balance minus (ii) the Applicable Reserve;

(iv) after giving effect to the Issuance of such Letter of Credit, the sum of (i) the Letter of Credit Undrawn Amounts at such time and (ii) the Reimbursement Obligations at such time would exceed the Letter of Credit Sublimit;

(v) any fees due in connection with a requested Issuance have not been paid;

(vi) such Letter of Credit is requested to be Issued in a form that is not acceptable to such Issuing Bank; or

(vii) such Letter of Credit is requested to be denominated in any currency other than U.S. Dollars.

None of the Purchasers (other than each Issuing Bank in its capacity as such) shall have any obligation to Issue any Letter of Credit.

(b) In no event shall the expiration date of any Letter of Credit be more than one year after the date of issuance thereof; provided, however, that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods.

(c) In connection with the Issuance of each Letter of Credit, the Seller shall give the applicable Issuing Bank and the Agent at least 3 Business Days' prior written notice, in substantially the form of Exhibit H (or in such other written or electronic form as is acceptable to the applicable Issuing Bank), of the requested Issuance of such Letter of Credit (a "Letter of Credit Request"). Such notice shall be irrevocable and shall specify the face amount of the Letter of Credit requested, the date of Issuance of such requested Letter of Credit, the date on which such Letter of Credit is to expire (which date shall be a Business Day) and the Person for whose benefit the requested Letter of Credit is to be issued. Such notice, to be effective, must be received by the applicable Issuing Bank and the Agent not later than 11:00 a.m. (New York City time) on the third Business Day prior to the requested Issuance of such Letter of Credit.

(d) Subject to the satisfaction of the conditions set forth in this Section 2.04, the applicable Issuing Bank shall, on the requested date, Issue a Letter of Credit on behalf of the Seller (or any Affiliate of the Seller acceptable to the Agent in its sole discretion) in accordance with such Issuing Bank's usual and customary business practices. No Issuing Bank shall Issue any Letter of Credit in the period commencing on the first Business Day after it receives written notice from any Purchaser that one or more of the conditions precedent contained in Section 3.02 shall not on such date be satisfied or duly waived and ending when such conditions are satisfied or duly waived. The Issuing Banks shall not otherwise be required to determine that, or take notice whether, the conditions precedent set forth in Section 3.02 have been satisfied in connection with the Issuance of any Letter of Credit.

(e) If requested by the applicable Issuing Bank, prior to the issuance of each Letter of Credit by such Issuing Bank and as a condition of such Issuance and of the participation of each Purchaser in the Letter of Credit Obligations arising with respect thereto, the Seller shall have delivered to the applicable Issuing Bank a letter of credit reimbursement agreement, in such form as such Issuing Bank may employ in its ordinary course of business for its own account (a "Letter of Credit Reimbursement Agreement"),

signed by the Seller, and such other documents or items as may be required pursuant to the terms thereof. In the event of any conflict between the terms of any Letter of Credit Reimbursement Agreement and this Agreement, the terms of this Agreement shall govern.

(f) Each Issuing Bank shall:

(i) give the Agent written notice (or telephonic notice confirmed promptly thereafter in writing), which writing may be a telecopy or electronic mail, of the Issuance or renewal of a Letter of Credit issued by it, of all drawings under a Letter of Credit issued by it and the payment (or the failure to pay when due) by the Seller of any Reimbursement Obligation when due (each such notice the Agent shall promptly transmit by telecopy, electronic mail or similar transmission to each Purchaser);

(ii) upon the request of any Purchaser, furnish to such Purchaser copies of any Letter of Credit Reimbursement Agreement to which such Issuing Bank is a party and such other documentation as may reasonably be requested by such Purchaser; and

(iii) no later than 10 Business Days following the last day of each calendar month, provide to the Agent (and the Agent shall provide a copy to each Purchaser requesting the same), a schedule for Letters of Credit issued by it, in form and substance reasonably satisfactory to the Agent, setting forth the aggregate Letter of Credit Obligations outstanding at the end of each month and any information requested by the Seller or the Agent relating thereto.

(g) Immediately upon the issuance by an Issuing Bank of a Letter of Credit in accordance with the terms and conditions of this Agreement, such Issuing Bank shall be deemed to have sold and transferred to each Purchaser, and each Purchaser shall be deemed irrevocably and unconditionally to have purchased and received from such Issuing Bank, without recourse or warranty, an undivided interest and participation, to the extent of such Purchaser's ratable portion, in such Letter of Credit and the obligations of the Seller with respect thereto (including all Letter of Credit Obligations with respect thereto) and any security therefor and guaranty pertaining thereto.

(h) If, and to the extent, any Reimbursement Obligations have not been repaid pursuant to Section 2.07 or 2.08, the Seller agrees to pay to the applicable Issuing Bank the amount of all Reimbursement Obligations owing to such Issuing Bank under any Letter of Credit issued for its account or at its direction no later than the date that is the next succeeding Business Day after the Seller receives written notice from such Issuing Bank that payment has been made under such Letter of Credit (the "Reimbursement Date"), irrespective of any claim, set-off, defense or other right that the Seller may have at any time against such Issuing Bank or any other Person. In the event that an Issuing Bank makes any payment under any Letter of Credit and the Seller shall not have repaid such amount to such Issuing Bank pursuant to this Section 2.04(h) or any such payment by the Seller is rescinded or set aside for any reason, such Reimbursement Obligation shall be payable on demand with interest thereon computed (i) from the date on which such Reimbursement Obligation arose to the Reimbursement Date, at the rate of interest applicable during such period, with respect to past due Capital initially bearing Yield based on the Alternate Base Rate and (ii) from the Reimbursement Date until the date of repayment in full, at the rate of interest applicable during such period, with respect to past due Capital initially bearing Yield based on the Adjusted LIBO Rate, and the applicable Issuing Bank shall promptly notify the Agent, which shall promptly notify each Purchaser of such failure, and each Purchaser shall promptly and unconditionally pay to the Agent for the account of such Issuing Bank the amount of such Purchaser's ratable share of such payment in immediately available funds. If the Agent so notifies such Purchaser prior to 11:00 a.m. (New York City time) on any Business Day, such Purchaser shall make available to the Agent for the

account of the applicable Issuing Bank its ratable share of the amount of such payment on such Business Day in immediately available funds. Upon such payment by a Purchaser, such Purchaser shall, except during the continuance of an Event of Termination under Section 7.01(f) and notwithstanding whether or not the conditions precedent set forth in Section 3.02 shall have been satisfied (which conditions precedent the Purchasers hereby irrevocably waive), be deemed to have made a Purchase, and the Seller shall be deemed to have received a Collection, in respect of a Receivable Interest in the principal amount of such payment and the Capital of such Receivable Interest shall be increased by the amount of such payment. Whenever an Issuing Bank receives from the Seller a payment of a Reimbursement Obligation as to which the Agent has received for the account of such Issuing Bank any payment from a Purchaser pursuant to this Section 2.04(h), the applicable Issuing Bank shall pay to the Agent and the Agent shall promptly pay to each Purchaser in immediately available funds, an amount equal to such Purchaser's ratable share of the amount of such payment adjusted, if necessary, to reflect the respective amounts the Purchasers have paid in respect of such Reimbursement Obligation.

(i) If and to the extent such Purchaser shall not have so made its ratable portion of the amount of the payment required by Section 2.04(h) above available to the Agent for the account of the applicable Issuing Bank, such Purchaser agrees to pay to the Agent for the account of such Issuing Bank forthwith on demand any such unpaid amount together with interest thereon, for the first Business Day after payment was first due at the Federal Funds Rate and, thereafter until such amount is repaid to the Agent for the account of such Issuing Bank, at the rate per annum applicable to Capital initially bearing Yield based on the Alternate Base Rate.

(j) The Seller's obligation to pay each Reimbursement Obligation and the obligations of the Purchasers to make payments to the Agent for the account of the applicable Issuing Bank with respect to Letters of Credit shall be absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement, under any and all circumstances whatsoever, including the occurrence of any Event of Termination, and irrespective of any of the following:

- (i) any lack of validity or enforceability of any Letter of Credit or any Transaction Document, or any term or provision therein;
- (ii) any amendment or waiver of or any consent to departure from all or any of the provisions of any Letter of Credit or any Transaction Document;
- (iii) the existence of any claim, set off, defense or other right that the Seller, any Subsidiary or other Affiliate thereof or any other Person may at any time have against the beneficiary under any Letter of Credit, such Issuing Bank, the Agent or any Purchaser or any other Person, whether in connection with this Agreement, any other Transaction Document or any other related or unrelated agreement or transaction;
- (iv) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;
- (v) payment by such Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit; and
- (vi) any other act or omission to act or delay of any kind of such Issuing Bank, the Purchasers, the Agent or any other Person or any other event or circumstance whatsoever,

whether or not similar to any of the foregoing, that might, but for the provisions of this Section 2.04, constitute a legal or equitable discharge of the Seller's obligations hereunder.

Any action taken or omitted to be taken by an Issuing Bank under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence or willful misconduct, shall not put such Issuing Bank under any resulting liability to the Seller or any Purchaser. In determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof, the applicable Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary and, in making any payment under any Letter of Credit, such Issuing Bank may rely exclusively on the documents presented to it under such Letter of Credit as to any and all matters set forth therein, including reliance on the amount of any draft presented under such Letter of Credit, whether or not the amount due to the beneficiary thereunder equals the amount of such draft and whether or not any document presented pursuant to such Letter of Credit proves to be insufficient in any respect, if such document on its face appears to be in order, and whether or not any other statement or any other document presented pursuant to such Letter of Credit proves to be forged or invalid or any statement therein proves to be inaccurate or untrue in any respect whatsoever, and any noncompliance in any immaterial respect of the documents presented under such Letter of Credit with the terms thereof shall, in each case, be deemed not to constitute willful misconduct or gross negligence of such Issuing Bank.

#### **Section 2.05. Termination or Reduction of the Commitments.**

The Seller may, upon at least 5 Business Days' notice to the Agent, and so long as, after giving effect to a proposed reduction, no Event of Termination or Potential Event of Termination, including, without limitation, by reference to Section 5.07(b), would exist, terminate in whole or reduce in part, the unused portions of the Commitments of the Purchasers; provided, however, that for purposes of this Section 2.05, the unused portions of the Commitments of the Purchasers shall be computed as the excess of (i) the aggregate of the Commitments of the Purchasers immediately prior to giving effect to such termination or reduction over (ii) the sum of (a) the aggregate Capital of Receivable Interests outstanding at the time of such computation and (b) the Letter of Credit Undrawn Amounts at the time of such computation; provided, further, that each such partial reduction of the unused portions of the Commitments (i) shall be in an amount equal to at least \$5,000,000 and shall be an integral multiple of \$1,000,000 in excess thereof, (ii) shall be made ratably among the Purchasers in accordance with their respective Commitments and (iii) shall reduce the Total Commitment in an amount equal to each such reduction.

#### **Section 2.06. Receivable Interest.**

Each Receivable Interest shall be initially computed as of the opening of business of the Servicer on the date of Purchase of such Receivable Interest. Thereafter until the Termination Date, such Receivable Interest shall be automatically recomputed as of the close of business of the Servicer on each day (other than a Liquidation Day). Such Receivable Interest 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. Each Receivable Interest other than any Special Receivable Interest, as computed as of the day immediately preceding the Termination Date, shall remain constant at all times on and after the Termination Date; and any Special Receivable Interest, as computed as of any Special Termination Date, shall remain constant (at 100%) at all times on and after such Special Termination Date. Such Receivable Interest shall become zero at such time as the Owners of such Receivable Interest shall have received the accrued Yield for such Receivable Interest, shall have recovered the Capital Investment of such Receivable Interest, and shall have received payment of all other



amounts payable by the Seller to such Owners, and the Servicer shall have received the accrued Servicer Fee for such Receivable Interest.

**Section 2.07. Non-Liquidation Settlement Procedures.**

(a) On each day (other than a Liquidation Day) the Agent shall, out of Collections of Pool Receivables received on such day:

(i) first, set aside and hold in trust for the Servicer, the Issuing Banks and the Owners of the Receivable Interests an amount in U.S. Dollars equal to the sum of (A) the Servicer Fee accrued through such day and not so previously set aside, (B) the aggregate Yield, the Unused Commitment Fee, L/C Fees, L/C Issuance Fees, the Agent's Fee and any other fees accrued hereunder through such day and not so previously set aside, and (C) the aggregate of any other amounts then accrued or owed hereunder by the Seller to such Owners and not so previously set aside;

(ii) second, distribute an amount in U.S. Dollars equal to the aggregate Capital Investments made in respect of Swing Purchases to the Swing Purchaser, to be applied to reduce the Capital of such Receivable Interests;

(iii) third, if such day is the second Business Day of the week, distribute to the Owners an amount in U.S. Dollars equal to that amount, if any, which would be required to reduce Capital so that the undivided percentage interest of all Receivable Interests 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 such Receivable Interests pursuant to Section 2.06 as of the end of such day, exceed 100%;

(iv) fourth, distribute the remainder of such Collections in an amount not greater than the Capital then outstanding, on a pari passu basis, to the Owners of each Receivable Interest to be applied to reduce the Capital Investment of such Receivable Interest, and to the applicable Issuing Bank an amount in U.S. Dollars equal to the amount of all Reimbursement Obligations, if any, owing from the Seller to such Issuing Bank under any Letter of Credit issued for its account or at its direction; and

(v) fifth, to the extent of any further remaining Collections, return the remainder of such Collections to the Seller.

(b) On each applicable Yield Payment Date, the Agent shall distribute the amounts set aside as described in clause (i) of Section 2.07(a) above (other than the Agent's Fee), first, to the Servicer in payment of the accrued Servicer Fee payable with respect to each Receivable Interest, to the Owners of each Receivable Interest in payment of the accrued Yield, the Unused Commitment Fee and L/C Fee for such Receivable Interest, and to the applicable Issuing Bank in payment of the L/C Issuance Fee, *pari passu*, and second, in payment of any other amounts then owed by the Seller hereunder (including, without limitation, all fees payable hereunder and not paid above except for the Servicer Fee).

(c) On each anniversary of the Effective Date, the Agent shall distribute the amounts set aside as described in clause (i) of Section 2.07(a) with respect to the Agent's Fee to the Agent in payment of the Agent's Fee for the twelve-month period then commencing.

### **Section 2.08. Liquidation Settlement Procedures.**

(a) On each Liquidation Day (including, without limitation, the Special Termination Date), the Agent shall deposit to the Agent's Account the Collections of Pool Receivables received on such day and shall apply them as follows:

(i) first, to pay obligations of the Seller to the Agent under any Transaction Document in respect of any expense reimbursements, Cash Management Obligations or indemnities then due to the Agent;

(ii) second, to pay obligations of the Seller to the Owners and the Issuing Banks under any Transaction Document in respect of any expense reimbursements or indemnities then due to such Persons;

(iii) third, to the Servicer in payment of the accrued Servicer Fee payable with respect to such Receivable Interest, to the Owners in payment of the accrued Yield, Unused Commitment Fees, L/C Fees and the aggregate of any other amounts then accrued or owed hereunder by the Seller to such Owners, and to the Issuing Banks in payment of the L/C Issuance Fees;

(iv) fourth, to the Owners in reduction (to zero) of the Capital of each Receivable Interest;

(v) fifth, to the Agent's Account to be set aside and held in trust for the Purchasers as security for repayment of all amounts with respect to undrawn Letters of Credit, an amount equal to 105% of the Letter of Credit Undrawn Amount with respect to each Standby Letter of Credit and an amount equal to 115% of each Letter of Credit Undrawn Amount with respect to each Documentary Letter of Credit;

(vi) sixth, to the Owners in ratable payment of any other amounts owed by the Seller hereunder or under any Transaction Document (including, without limitation, all fees payable hereunder and not paid above except for the Servicer Fee); and

(vii) seventh, to the Seller;

provided, however, that if sufficient funds are not available to fund all payments to be made in respect of any obligation described in any of clauses first, second, third, fourth, fifth and sixth above, the available funds being applied with respect to any such obligations (unless otherwise specified in such clause) shall be allocated to the payment of the obligations referred to in such clause ratably, based on the proportion of the Servicer's, the Agent's, Issuing Banks' or the Owners' interest in the aggregate outstanding obligations described in such clause.

### **Section 2.09. General Settlement Procedures.**

(a) If on any day the Outstanding Balance of a Pool Receivable is either (i) reduced as a result of any defective, rejected or returned goods or services, any discount, or any adjustment by the Seller or any Originator, or (ii) reduced or cancelled as a result of a setoff in respect of any claim by the Obligor thereof against the Seller or any Originator (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 and shall make the payment required to be made by it in connection with such Collection on the day required by, and otherwise

pursuant to, Section 5.01(g). If on any day any of the representations or warranties in Section 4.01(h) is no longer true with respect to any Pool Receivable, the Seller shall be deemed to have received on such day a Collection in full of such Pool Receivable and shall make the payment required to be made by it in connection with such Collection on the day required by, and otherwise pursuant to, Section 5.01(g). Except as stated in the preceding sentences of this Section 2.09(a) 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.

(b) On or prior to the tenth Business Day of each calendar month, the Servicer shall prepare and furnish to the Agent for each Owner:

(i) a Seller Report relating to each Receivable Interest, as of the close of business of the Servicer on the last day of the immediately preceding calendar month,

(ii) a listing of the ten Obligors owing the greatest amount of Pool Receivables, together with a report setting forth (A) the name of such Obligor, (B) the balance of the Pool Receivables owing by such Obligor as of such date, and (C) a summary of credit terms applicable to such Pool Receivables under the applicable Contract,

(iii) a listing by Obligor of all Pool Receivables, together with an analysis as to the aging of such Receivables, as of such last day, and

(iv) such other information as shall be reasonably requested from time to time by the Agent or by the Agent at the request of the Required Purchasers.

(c) Within 10 days after the end of each calendar month (or more frequently if (x) requested by the Agent or (y) Total Excess Availability shall be less than \$50,000,000, but, in the case of clauses (x) and (y), in no event more frequently than once each Business Day) by no later than 12:00 noon (New York City time), the Servicer shall prepare and furnish to the Agent for the Owners a Receivables Report relating to the Receivable Interests as at the end of the last calendar day of the immediately preceding month (or such shorter period, not earlier than the immediately preceding Business Day, if requested by Agent) stating (i) the aggregate amount of the Net Receivables Pool Balance as of the end of the immediately preceding reporting period, in such detail as shall be satisfactory to the Agent, (ii) the aggregate amount of the Collections from the Pool Receivables received by or on behalf of the Servicer as of the end of the immediately preceding reporting period, in such detail as shall be satisfactory to the Agent, (iii) the aggregate of sales and billings of each Originator as of the end of the immediately preceding reporting period, and (iv) such other information as shall be specified from time to time by the Agent or by the Agent at the request of the Required Purchasers.

(d) The Servicer shall promptly notify the Agent in writing in the event that at any time the Servicer receives or otherwise gains knowledge that any of the following is true: (i) the Net Receivables Pool Balance is less than 90% of the Net Receivables Pool Balance reflected in the most recent Receivables Report delivered pursuant to Section 2.09(c) above, or (ii) the Net Receivables Pool Balance is less than 105% of the Required Net Receivables Pool Balance, or (iii) the outstanding Capital exceeds the Net Receivables Pool Balance as a result of a decrease therein, in which case such notice shall also include the amount of such excess.

## **Section 2.10. Payments and Computations, Etc.**

(a) All amounts to be paid or deposited by the Seller or the Servicer hereunder shall be paid or deposited in accordance with the terms hereof no later than 12:00 noon (New York City time) on the day when due in U.S. Dollars in same day funds to the Agent's Account. The Agent shall promptly thereafter cause to be distributed (i) like funds relating to the payment out of Collections in respect of Capital, Yield, Servicer Fee or other amounts payable out of Collections, to the Owners (ratably in accordance with their respective interests) and the Servicer in accordance with the provisions of Section 2.07 or 2.08, as applicable, and (ii) like funds relating to the payment by the Seller of fees and other amounts payable by the Seller hereunder, to the parties hereto for whose benefit such funds were paid (and if such funds are insufficient, such distribution shall be made, subject to Section 2.07 or 2.08, as applicable, ratably in accordance with the respective amounts thereof). Upon the Agent's acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.01(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder in respect of the interest assigned thereby to the 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) The Seller shall, to the extent permitted by law, pay to the Agent interest on all amounts not paid or deposited when due hereunder (except for those amounts with respect to which Yield accrues) at 2.00% per annum above the Alternate Base Rate in effect from time to time, 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 for the account of, and distributed by the Agent to, the applicable Owners ratably in accordance with their respective interests in such overdue amount.

(c) All computations of interest and all computations of Yield, Unused Commitment Fee and other per annum 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.

(d) The Seller hereby authorizes each Owner, if and to the extent payment owed by the Seller to such Owner is not made to the Agent when due hereunder, to charge from time to time against any or all of the Seller's accounts with such Owner any amount so due.

(e) Unless the Agent shall have received notice from the Servicer or the Seller prior to the date on which any payment is due to the Owners hereunder that the Servicer or the Seller, as the case may be, will not make such payment in full, the Agent may assume that the Servicer or the Seller, as the case may be, has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Owner on such due date an amount equal to the amount then due such Owner. If and to the extent the Servicer or the Seller, as the case may be, shall not have so made such payment in full to the Agent, each Owner shall repay to the Agent forthwith on demand such amount distributed to such Owner together with interest thereon, for each day from the date such amount is distributed to such Owner until the date such Owner repays such amount to the Agent, at the Federal Funds Rate.

## **Section 2.11. Yield and Fees.**

(a) All Capital Investments and the outstanding amount of all other obligations hereunder shall bear a Yield, in the case of Capital Investments, on the principal amount thereof from the date such Capital Investments are made and, in the case of such other obligations, from the date such other obligations are due and payable until, in all cases, paid in full, at the Citicorp Rate.

(b) The Seller shall pay to the Agent such fees as are set forth in the Second Amended and Restated Fee Letter.

(c) The Seller shall pay to the Agent for remittance to the Servicer a fee (the “Servicer Fee”) of 1% per annum on the average daily amount of Capital of each Receivable Interest, from the date of the initial Purchase hereunder until the later of the Termination Date or the date on which Capital is reduced to zero, payable in arrears on the Yield Payment Date for each Yield Period for such Receivable Interest; provided, however, that, if at any time, the Servicer is not PolyOne or an Affiliate of PolyOne, the Servicer shall be paid, as such fee, the lesser of (i) such amount and (ii) 120% of the costs and expenses referred to in Section 6.02(c); 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 2.07 and 2.08.

(d) The Seller shall pay to the Agent for the account of each Purchaser, an unused commitment fee (an “Unused Commitment Fee”) equal to the product of (i) the Unused Commitment Fee Rate and (ii) the average daily Unused Commitment of such Purchaser. The Unused Commitment Fee will be payable monthly in arrears and on the Termination Date.

(e) The Seller shall pay to the Agent for the accounts of the Purchasers, a letter of credit fee (a “L/C Fee”) equal to the product of (i) the Applicable L/C Margin and (ii) the average daily Letter of Credit Undrawn Amounts. The L/C Fee will be payable monthly in arrears and on the Termination Date.

(f) The Seller shall pay to the applicable Issuing Bank, a letter of credit fee (the “L/C Issuance Fee”) equal to the product of (i) the L/C Issuance Fee Rate and (ii) the average daily Letter of Credit Undrawn Amounts with respect to Letters of Credit issued by such Issuing Bank. The L/C Issuance Fee will be payable monthly in arrears and on the Termination Date.

#### **Section 2.12. Special Provisions Governing Capital Investments at the Citicorp LIBO Rate.**

(a) Increased Costs. If, due to either (i) a change after the date hereof in Regulation D of the Board of Governors of the Federal Reserve System (to the extent any cost incurred pursuant to such regulation is not included in the calculation of Adjusted LIBO Rate), (ii) the introduction of or any change after the date hereof in or in the interpretation of any law or regulation (other than any law or regulation relating to taxes, as to which Section 2.14 shall govern) or (iii) the compliance with any guideline or request issued or made after the date hereof from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to (or, in the case of Regulation D of the Board of Governors of the Federal Reserve System, there shall be imposed a cost on) any Indemnified Party of agreeing to make or making any Purchase or purchasing or maintaining any Receivable Interest or any interest therein hereunder, then the Seller shall from time to time, upon demand and delivery to the Seller of the certificate referred to in the last sentence of this Section 2.12(a) by such Indemnified Party (or by the Agent for the account of such Indemnified Party) (with a copy of such demand and certificate to the Agent), pay to the Agent for the account of such Indemnified Party additional amounts sufficient to compensate such Indemnified Party for such increased or imposed cost. Each Indemnified Party hereto agrees to use reasonable efforts promptly to notify the Seller of any event referred to in clause (i), (ii) or (iii) above, provided that the failure to give such notice shall not affect the rights of any Indemnified Party under this Section 2.12(a). Each Indemnified Party agrees that it shall use reasonable efforts to designate another applicable office of such Indemnified Party to hold its interest in any Receivable Interest if the amounts payable to it under this Section 2.12(a) would thereby be reduced and if the making, funding or maintenance of its interest in such Receivable Interest through such other applicable office would not otherwise adversely affect such interest or such Indemnified Party. A

certificate in reasonable detail as to the basis for and the amount of such increased cost, submitted to the Seller and the Agent by such Indemnified Party (or by the Agent for the account of such Indemnified Party) shall be conclusive and binding for all purposes, absent manifest error.

(b) Interest Rate Unascertainable, Inadequate or Unfair. In the event that (i) the Agent determines that adequate and fair means do not exist for ascertaining the applicable interest rates by reference to which the Adjusted LIBO Rate then being determined is to be fixed or (ii) the Required Purchasers notify the Agent that the Adjusted LIBO Rate for any Yield Period will not adequately reflect the cost to the Purchasers of making a Capital Investment or maintaining such Capital Investment for such Yield Period, the Agent shall forthwith so notify the Seller and the Purchasers, whereupon the Citicorp Rate for such Capital Investment shall automatically, on the last day of the current Yield Period for such Capital Investment, convert into the Citicorp Base Rate and the obligations of the Purchasers to make a Capital Investment or maintain a Capital Investment at the Citicorp LIBO Rate shall be suspended until the Agent shall notify the Seller that the Required Purchasers have determined that the circumstances causing such suspension no longer exist.

(c) Illegality. Notwithstanding any other provision of this Agreement, if any Purchaser determines that the introduction of, or any change in or in the interpretation of, any law, treaty or governmental rule, regulation or order after the date of this Agreement shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Purchaser to make a Capital Investment or maintain a Capital Investment at the Citicorp LIBO Rate, then, on notice thereof and demand therefor by such Purchaser to the Seller through the Agent, (i) the obligation of such Purchaser to make a Capital Investment or maintain a Capital Investment at the Citicorp LIBO Rate shall be suspended, and each such Purchaser shall make Capital Investments at the Citicorp Base Rate and (ii) if the affected Capital Investments at the Citicorp LIBO Rate are then outstanding, the Seller shall immediately convert each such Capital Investment into a Capital Investment at the Citicorp Base Rate. If, at any time after a Purchaser gives notice under this Section 2.12(c), such Purchaser determines that it may lawfully make Capital Investments at the Citicorp LIBO Rate, such Purchaser shall promptly give notice of that determination to the Seller and the Agent, and the Agent shall promptly transmit the notice to each other Purchaser. The Seller's right to request, and such Purchaser's obligation, if any, to make Capital Investments at the Citicorp LIBO Rate shall thereupon be restored.

(d) Liquidation Costs. In addition to all amounts required to be paid by the Seller hereunder, the Seller shall compensate each Purchaser, upon demand, for all losses, expenses and liabilities (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Purchaser to fund or maintain such Purchaser's Capital Investments at the Citicorp LIBO Rate but excluding any loss of the Applicable Margin on the relevant Capital Investments) (each, a "Liquidation Cost") that such Purchaser may sustain (i) if for any reason a proposed Capital Investment, conversion into or continuation of Capital Investments at the Citicorp LIBO Rate does not occur on a date specified therefor in a Notice of Purchase given by the Seller or in a telephonic request by it for Purchase or a successive Yield Period does not commence after notice therefor is given hereunder, (ii) if for any reason any Capital Investment at the Citicorp LIBO Rate is reduced (including mandatorily pursuant to Section 2.07) on a date that is not the last day of the applicable Yield Period, (iii) as a consequence of a required conversion of a Capital Investment at the Citicorp LIBO Rate to Capital Investment at the Citicorp Base Rate as a result of any of the events indicated in Section 2.12(c) above or (iv) as a consequence of any failure by the Seller to reduce Capital Investment at the Citicorp LIBO Rate when required by the terms hereof. The Purchaser making demand for such compensation shall deliver to the Seller concurrently with such demand a written statement as to such losses, expenses and liabilities,

and this statement shall be conclusive as to the amount of compensation due to such Purchaser, absent manifest error.

**Section 2.13. Increased Capital.**

If any Indemnified Party determines that either the introduction of or any change in or in the interpretation of any law or regulation after the date hereof or the compliance with any guideline or request issued or made after the date hereof from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Indemnified Party or any corporation controlling such Indemnified Party and that the amount of such capital is increased by or based upon the existence of such Indemnified Party's commitment, if any, to purchase any Receivable Interest or any interest therein, or to maintain such Receivable Interest or interest hereunder, then, upon demand and delivery to the Seller of the certificate referred to in the last sentence of this Section 2.13 by such Indemnified Party (or by the Agent for the account of such Indemnified Party) (with a copy of such demand and certificate to the Agent) the Seller shall pay to the Agent for the account of such Indemnified Party from time to time, as specified by such Indemnified Party, additional amounts sufficient to compensate such Indemnified Party or such corporation in the light of such circumstances, to the extent that such Indemnified Party reasonably determines such increase in capital to be allocable to the existence of any such commitment. Each Indemnified Party hereto agrees to use reasonable efforts promptly to notify the Seller of any event referred to in the first sentence of this Section 2.13, provided that the failure to give such notice shall not affect the rights of any Indemnified Party under this Section 2.13. A certificate in reasonable detail as to the basis for, and the amount of, such compensation submitted to the Seller and the Agent by such Indemnified Party (or by the Agent for the account of such Indemnified Party) shall be conclusive and binding for all purposes, absent manifest error.

**Section 2.14. Taxes.**

(a) Any and all payments by the Seller hereunder or deposits from Collections hereunder shall be made, in accordance with Section 2.10, 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 Indemnified Party, (i) taxes that are imposed on its overall net income by the United States and (ii) taxes that are imposed on its overall net income, assets or net worth (and franchise taxes imposed in lieu thereof) by the state or foreign jurisdiction under the laws of which such Indemnified Party is organized or qualified to do business or in which such Indemnified Party holds any asset in connection with this Agreement or, in each case, any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or deposits from Collections hereunder being hereinafter referred to as "Taxes"). If the Seller or the Servicer or the Agent shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or deposit from Collections hereunder to any Indemnified Party, (i) the sum payable by Seller 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 Indemnified Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Seller or the Servicer or the Agent shall make such deductions and (iii) the Seller or the Servicer or the Agent shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Seller shall pay any present or future sales, stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or deposit from Collections hereunder or from the execution, delivery or registration of, performing under, or otherwise

with respect to, this Agreement, the Second Amended and Restated Receivables Sale Agreement, the Second Amended and Restated Consent and Agreement or the Second Amended and Restated Fee Letter (hereinafter referred to as “Other Taxes”).

(c) The Seller shall indemnify each Indemnified Party for and hold it harmless against the full amount of Taxes and Other Taxes (including, without limitation, taxes of any kind imposed by any jurisdiction on amounts payable under this Section 2.14) imposed on or paid by such Indemnified Party and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Indemnified Party makes written demand therefor (with a copy to the Agent).

(d) Within 30 days after the date of any payment of Taxes, the Seller shall furnish to the Agent and each applicable Purchaser, at its address referred to in Section 11.02, the original or a certified copy of a receipt evidencing such payment.

(e) Each Owner organized under the laws of a jurisdiction outside the United States shall, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Purchaser, and on the date of the Assignment or the Assignment and Acceptance pursuant to which it became an Owner in the case of each other Owner, and from time to time thereafter as requested in writing by the Seller (but only so long thereafter as such Owner remains lawfully able to do so), provide each of the Agent and the Seller with 2 original Internal Revenue Service forms W-8ECI or W-8BEN, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Owner is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement. If the forms provided by an Owner at the time such Owner first becomes a party to this Agreement indicate a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Owner provides the appropriate form 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 effective date of the Assignment or the Assignment and Acceptance pursuant to which an Assignee becomes an Owner hereunder, the Owner assignor was entitled to payments under subsection (a) of this Section 2.14 in respect of United States withholding tax with respect to amounts paid hereunder 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 such 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-8ECI or W-8BEN, that the Owner reasonably considers to be confidential, the Owner shall give notice thereof to the Seller and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which an Owner has failed to provide the Seller with the appropriate form described in subsection (e) of this Section 2.14 (other than if such failure is due to a change in law occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (e) of this Section 2.14), such Owner shall not be entitled to indemnification under subsection (a) or (c) of this Section 2.14 with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should an Owner become subject to Taxes because of its failure to deliver a form required hereunder, the Seller shall take such steps as such Owner shall reasonably request to assist such Owner (at such Owner’s expense) to recover such Taxes.



### **Section 2.15. Sharing of Payments, Etc.**

If any Purchaser shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off or otherwise) on account of the Purchases made by it (other than with respect to payments due to such Purchaser pursuant to Section 2.12, 2.13 or 2.14) in excess of its ratable share of payments on account of the Purchases obtained by all the Purchasers, such Purchaser shall forthwith purchase from the other Purchasers such interests in the Receivable Interests purchased by them as shall be necessary to cause such Purchaser 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 Purchaser, such purchase from each other Purchaser shall be rescinded and such other Purchaser shall repay to the Purchaser the purchase price to the extent of such recovery together with an amount equal to such other Purchaser's ratable share (according to the proportion of (i) the amount of such other Purchaser's required repayment to (ii) the total amount so recovered from the Purchaser) of any interest or other amount paid or payable by the Purchaser in respect of the total amount so recovered. The Seller agrees that any Purchaser so purchasing an interest in Receivable Interests from another Purchaser 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 interest in Receivable Interests as fully as if such Purchaser were the direct creditor of the Seller in the amount of such interest in Receivable Interests.

### **Section 2.16. Conversion/Continuation Option.**

(a) The Seller may elect (i) at any time on any Business Day, to convert Capital Investments bearing Yield at the Citicorp Base Rate (other than Swing Purchases and Reimbursement Obligations) or any portion thereof to Capital Investments bearing Yield at the Citicorp LIBO Rate and (ii) at the end of any applicable Yield Period, to convert Capital Investments bearing Yield at the Citicorp LIBO Rate or any portion thereof into Capital Investments bearing Yield at the Citicorp Base Rate or to continue such Capital Investments bearing Yield at the Citicorp LIBO Rate or any portion thereof for an additional Yield Period; provided, however, that the aggregate amount of the Capital Investments bearing Yield at the Citicorp LIBO Rate for each Yield Period must be in an amount of at least \$10,000,000 or an integral multiple of \$2,500,000 in excess thereof. Each conversion or continuation shall be allocated among the Capital Investments of each Purchaser in accordance with such Purchaser's Receivable Interest. Each such election shall be in substantially the form of Exhibit I (a "Notice of Conversion or Continuation") and shall be made by giving the Agent at least 3 Business Days' prior written notice specifying (A) the amount and type of Capital Investment being converted or continued, (B) in the case of a conversion to or a continuation of Capital Investments bearing Yield at the Citicorp LIBO Rate, the applicable Yield Period and (C) in the case of a conversion, the date of such conversion.

(b) The Agent shall promptly notify each Purchaser of its receipt of a Notice of Conversion or Continuation and of the options selected therein. Notwithstanding the foregoing, no conversion in whole or in part of Capital Investments bearing Yield at the Citicorp Base Rate to Capital Investments bearing Yield at the Citicorp LIBO Rate and no continuation in whole or in part of Capital Investments bearing Yield at the Citicorp LIBO Rate upon the expiration of any applicable Yield Period shall be permitted at any time at which (i) a Potential Event of Termination or an Event of Termination shall have occurred and be continuing or (ii) the continuation of, or conversion into, a Capital Investment bearing Yield at the Citicorp LIBO Rate would violate any provision of Section 2.12. If, within the time period required under the terms of this Section 2.16, the Agent does not receive a Notice of Conversion or Continuation from the Seller containing a permitted election to continue any Capital Investments bearing Yield at the Citicorp LIBO Rate for an additional Yield Period or to convert any such Capital Investments, then, upon the expiration of the applicable Yield Period, such Capital Investments shall be

automatically converted to Capital Investments bearing Yield at the Citicorp Base Rate. Each Notice of Conversion or Continuation shall be irrevocable.

**ARTICLE III**  
**CONDITIONS OF PURCHASES**

**Section 3.01. Conditions Precedent to the Effectiveness of this Agreement.**

The effectiveness of this Agreement is subject to the satisfaction of the following conditions precedent:

(a) The Agent and the Syndication Agent shall have received all fees and expenses (including, but not limited to, reasonable fees and expenses of counsel) required to be paid on the Effective Date, pursuant to the terms of this Agreement and the Second Amended and Restated Fee Letter.

(b) The Agent shall have received on or before the Effective Date, the following, each (unless otherwise indicated) dated as of the Effective Date, in form and substance satisfactory to the Agent:

(i) This Agreement, duly executed and delivered by the Seller and the Servicer;

(ii) The Second Amended and Restated Parent Undertaking, duly executed and delivered by PolyOne;

(iii) The Second Amended and Restated Receivables Sale Agreement, duly executed by the Seller and each Originator, together with:

(A) Proper financing statement terminations or releases, if any, necessary to release all security interests and other rights of any Person in the Receivables, Related Security, Collections or Contracts previously granted by any Originator except in connection with the Prior Sale Agreement;

(B) Completed requests for information, dated on or a date reasonably near to the Effective Date listing all effective financing statements which name each Originator (under its present name and any previous name used by such Person within the five year period immediately preceding the Effective Date) as debtor and which are filed in the jurisdictions set forth in Schedule VI, together with copies of such financing statements (none of which, except those naming each Originator as debtor, the Seller as secured party and Citicorp, as Agent, as assignee, and those subject to the termination and releases described in clause (iii)(A) above, shall cover any Receivables, Related Security, Collections or Contracts);

(C) The Second Amended and Restated Consent and Agreement, duly executed by the Seller and each Originator; and

(D) The Second Amended and Restated Subordinated Notes, in substantially the form of Exhibit B to the Second Amended and Restated

Receivables Sale Agreement, payable to the order of the Originators, respectively, and duly executed by the Seller.

(iv) The Second Amended and Restated Letter of Credit Agreement duly executed and delivered by the Seller and each Originator.

(v) Certified copies, dated as of a recent date, of the charter, by-laws or code of regulations (as the case may be), as amended, of the Seller, the Servicer and each Originator, respectively.

(vi) Good standing certificates, dated as of a recent date, issued by the Secretary of State of the jurisdiction of incorporation of the Seller, the Servicer and each Originator, with respect to the Seller, the Servicer and such Originator, respectively.

(vii) Certified copies of the resolutions of the Board of Directors of each of the Seller, the Servicer and each Originator, approving the Transaction Documents to be delivered by it hereunder and the transactions contemplated hereby and thereby.

(viii) A certificate of the Secretary or Assistant Secretary of each of the Seller, the Servicer and each Originator, certifying the names and true signatures of its officers authorized to sign the Transaction Documents and the other documents to be delivered by it hereunder.

(ix) Proper financing statements naming the Seller as debtor and Citicorp, as Agent, as secured party, to be filed under the UCC of all jurisdictions that the Agent may deem necessary or desirable in order to perfect the ownership interests created or purported to be created hereby.

(x) Proper financing statement terminations or releases, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts, Related Security or Collections previously granted by the Seller (other than security interests granted to the Agent in connection with the Prior Agreement).

(xi) Completed requests for information, dated on or a date reasonably near to the Effective Date, listing all effective financing statements filed in the jurisdictions referred to in subsection (b)(ix) above that name the Seller as debtor, together with copies of such other financing statements (none of which, except those to be filed pursuant to subsection (b)(ix) above, those previously filed in connection with the Prior Agreement and those subject to the termination and releases described in subsection (x) above, shall cover any Receivables, Related Security, Collections or Contracts).

(xii) Favorable opinions of (A) Thompson Hine LLP, counsel to the Seller, the Servicer and each Originator, in substantially the form of Exhibit J-1 hereto and as to such other matters as the Agent may reasonably request and (B) Thompson Hine LLP, counsel to each Originator, the Servicer and the Seller, in substantially the form of Exhibit J-2 and as to such other matters as the Agent may reasonably request, including without limitation (1) a "true sale" opinion with respect to the sale of Receivable Assets under and as defined in the Second Amended and Restated Receivables Sale Agreement from each Originator to the Seller, (2) an opinion with respect to the non-substantive consolidation of the Seller with each Originator or any of its Affiliates in a case under the U.S. Bankruptcy Code, and (3) an opinion relating to the enforceability of the Transaction Documents, compliance with all laws and regulations (including Regulation U of the Board of Governors of the Federal Reserve System), the perfection of all

ownership and other interests purported to be granted under the Transaction Documents, and no conflicts with material agreements.

(xiii) A favorable opinion of Weil, Gotshal & Manges LLP, counsel to the Agent, as the Agent may reasonably request; and

(xiv) A certificate of the chief financial officer, in the case of PolyOne, or the chief financial officer or treasurer, in the case of the Seller and each other Originator, stating that the Seller and each Originator is Solvent after giving effect to the transactions contemplated hereunder and under the other Transaction Documents.

(c) Each of the Seller, the Originators, the Servicer and its Subsidiaries shall have received all necessary governmental and third party consents and approvals necessary in connection with the Transaction Documents and the transactions contemplated thereby (without the imposition of any conditions that are not reasonably acceptable to the Purchasers) and shall remain in effect, and all applicable governmental filings shall have been made and all applicable waiting periods shall have expired without in either case any action being taken by any competent authority; and no law or regulation shall be applicable in the judgment of the Purchasers that restrains, prevents or imposes materially adverse conditions upon the Transaction Documents or the transactions contemplated thereby.

(d) The Agent shall have received a certificate of a Responsible Officer of the Seller and each Originator stating that, as of the Effective Date, the Intercreditor Agreement is in full force and effect and certifying that either (i) those consents (in writing) to the execution, delivery and performance by the parties hereto of this Agreement which are required under the Intercreditor Agreement have been obtained or (ii) no such consents are required under the Intercreditor Agreement.

(e) The Agent shall have received the Second Amended and Restated Fee Letter, duly executed by the Seller.

(f) A certificate of the Secretary or Assistant Secretary of each of the Seller and each Originator certifying that there exists no action, suit, investigation, litigation or proceeding pending or, to its knowledge, threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to result in a Material Adverse Change or (ii) restrains, prevents or imposes or can reasonably be expected to impose materially adverse conditions on the transactions contemplated hereunder.

(g) The Servicer and the Seller shall have each delivered to the Purchasers a pro forma consolidated balance sheet for itself and its Subsidiaries, if any, which shall be in form and substance satisfactory to the Agent and each Purchaser, and there shall not occur as a result of the funding hereunder, a default (or any event which with the giving of notice or lapse of time or both would be a default) under any of the Seller's, the Originators' or their respective Subsidiaries' debt instruments and other material agreements.

(h) The Agent shall have received evidence that after giving effect to the Purchases occurring on the Effective Date, Receivables Excess Availability is not less than \$60,000,000.

**Section 3.02. Conditions Precedent to All Purchases, Reinvestments and Letters of Credit.**

Each Purchase (including the initial Purchase by each Purchaser) hereunder, each Issuance of a Letter of Credit hereunder and the right of the Servicer to reinvest in Pool Receivables those Collections

attributable to a Receivable Interest pursuant to Section 2.07 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 Servicer shall have delivered to the Agent, in form and substance satisfactory to the Agent:

- (i) a completed Seller Report, dated within 31 days prior to the date of such Purchase, together with a listing by Obligor of all Pool Receivables,
- (ii) a completed Receivables Report effective as of the end of the last Business Day of the then immediately preceding week, and
- (iii) such additional information as may be reasonably requested by the Agent; and

(b) on the date of such Purchase, Issuance or reinvestment the following statements shall be true (and the acceptance by the Seller of the proceeds of such Purchase or reinvestment, or the request by the Seller for an Issuance of a Letter of Credit, shall constitute a representation and warranty by the Seller that on the date of such Purchase, Issuance or reinvestment such statements are true):

(i) the representations and warranties contained in Section 4.01 of this Agreement and in Section 3.01 of the Second Amended and Restated Receivables Sale Agreement are correct in all material respects on and as of the date of such Purchase, Issuance or reinvestment, before and after giving effect to such Purchase, Issuance or reinvestment and to the application of the proceeds therefrom, as though made on and as of such date, other than any such representations and warranties that, by their terms, refer to a specific date other than the date of said Purchase, Issuance or reinvestment, in which case as of such dates;

(ii) no event has occurred and is continuing, or would result from such Purchase, Issuance or reinvestment or from the application of the proceeds therefrom, which constitutes an Event of Termination or a Potential Event of Termination;

(iii) such Purchase, Issuance or reinvestment shall not violate any requirement of law and shall not be enjoined, temporarily, preliminarily or permanently and will not result in the Letter of Credit Sublimit being exceeded; 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.

The Seller represents and warrants, as of the date hereof and as of the date of each Purchase and Issuance, before and after giving effect to such Purchase or Issuance and to the application of the proceeds therefrom, as though made on and as of such date, other than any such representations and warranties that, by their terms, refer to a specific date other than the date of said Purchase or Issuance, in which case as of such dates, as follows:

(a) The Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction indicated at the beginning of this Agreement, 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 to the extent that any failure to be so qualified or in good standing as a foreign entity could not reasonably be expected to have a Material Adverse Effect. The Seller has no Subsidiaries. All of the outstanding shares of stock of the Seller are owned by PolyOne, one or more direct or indirect wholly-owned Subsidiaries of PolyOne, or a corporation owned directly or indirectly by the stockholders of PolyOne in substantially the same proportions as their ownership of stock of PolyOne.

(b) The execution, delivery and performance by the Seller of the Transaction Documents to which it is a party and the other documents delivered by it hereunder, and the transactions contemplated hereby and thereby, including the Seller's use of the proceeds of Purchases and reinvestments, are within the Seller's corporate powers, have been duly authorized by all necessary corporate action, do not (i) contravene the Seller's charter or by-laws, (ii) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, or (iii) breach or result in a default under, or result in the acceleration of (or entitle any party to accelerate) the maturity of any obligation of the Seller under, or result in or require the creation of any lien upon or security interest in any property of the Seller pursuant to the terms of, any Contract or any other agreement or instrument (other than any Transaction Document) binding on or affecting the Seller or any of its properties.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Seller of any Transaction Document to which it is a party or any other agreement or document delivered hereunder or for the perfection of or the exercise by any Indemnified Party of its rights and remedies under the Transaction Documents and such other agreements or documents, except for the filings of the financing statements referred to in Article III.

(d) This Agreement has been, and each other Transaction Document to which the Seller is a party when delivered will have been, duly executed and delivered by the Seller. This Agreement is, and the other Transaction Documents to which the Seller is or will be a party when delivered hereunder will be, the legal, valid and binding obligations of the Seller enforceable against the Seller in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and to general equitable principles.

(e) Since December 31, 2006, there has been no Material Adverse Change and there have been no events or developments that, in the aggregate, have had a Material Adverse Effect.

(f) There is no action, suit, investigation, litigation or proceeding pending or, to the knowledge of the Seller, threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to result in a Material Adverse Change or (ii) restrains, prevents or imposes or can reasonably be expected to impose materially adverse conditions upon the Transaction Documents or the transactions contemplated thereby.

(g) No proceeds of any Purchase or reinvestment will be used to acquire any security in any transaction which is subject to Sections 13 and 14 of the Securities Exchange Act of 1934.

(h) Immediately prior to the time of the initial creation of an interest hereunder in any Pool Receivable and each Purchase, the Seller is the legal and beneficial owner of the Pool Receivables and Related Security with respect thereto, in each case free and clear of any Adverse Claim. Upon each Purchase or reinvestment, the Seller shall transfer to the Owner making such Purchase or reinvestment (and such Owner shall acquire) a valid undivided percentage ownership interest or security interest to the extent of the pertinent Receivable Interest 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, which ownership interest or security interest shall be a perfected first priority ownership interest or security interest upon the filing of the financing statements referred to in Section 3.01(b) (ix). No effective financing statement or other instrument similarly in effect covering any Contract or any Pool Receivable or Related Security or Collections with respect thereto is on file in any recording office, except those filed in favor of the Agent relating to this Agreement or the Prior Agreement or in favor of the Seller and the Agent relating to the Second Amended and Restated Receivables Sale Agreement or the Prior Sale Agreement.

(i) Each Seller Report, Receivables Report (if prepared by the Seller or one of its Affiliates, or to the extent that information contained therein is supplied by the Seller or any Affiliate thereof), information, exhibit, financial statement, or other report or document furnished or to be furnished at any time by or on behalf of the Seller to the Agent or any Owner in connection with this Agreement is and will be accurate in all material respects as of its date or as of the date so furnished, and no such report or document contains, or will contain, as of its date of delivery or the date so furnished, any untrue statement of a material fact or omits to state, or will omit to state, as of its date of delivery or the date so furnished, a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(j) The jurisdiction of incorporation, organizational identification number (if any), and the address(es) of the principal place of business and chief executive office of the Seller and the office where the Seller keeps its Records concerning the Receivable Assets, are as set forth in Schedule III hereto (or, by notice to the Agent in accordance with Section 5.01(c), at such other locations in jurisdictions, within the United States, where all actions required by Section 6.05(a) have been taken and completed).

(k) The names and addresses of all the Lock-Box Banks, together with the lock-box numbers related to, and the account numbers and owners (the Seller or any Originator) of, the Lock-Box Accounts at such Lock-Box Banks, are specified in Schedule I hereto (or such other Lock-Box Banks and/or such other Lock-Box Accounts as have been notified to the Agent in accordance with Section 5.03(d)).

(l) Since the date of its formation, the Seller has not engaged in any activity other than as contemplated by the receivables purchasing program established pursuant to the fifth amended and restated receivables purchase and sale agreement, dated as of April 10, 2002, by and between PolyOne Funding Corporation, PolyOne Corporation, Corporate Receivables Corporation, CIESCO, L.P. and Citicorp North America, Inc., the Prior Agreement and the "Transaction Documents" (as defined therein)

and the activity contemplated by the Transaction Documents or entered into any commitment or incurred any Debt other than pursuant to, or as permitted under such receivables purchase program or the Transaction Documents.

(m) The Seller has not maintained, contributed to or incurred or assumed any obligation with respect to any Plan, Multiemployer Plan or Welfare Plan.

(n) The Seller has not sold, assigned, transferred, pledged or hypothecated any interest in any Pool Receivable or the Collections with respect thereto to any Person other than as contemplated by this Agreement, the Prior Agreement or that has been released by the Agent from the Receivables Pool.

(o) The Seller has complied with the Credit and Collection Policy in all material respects and since the date of this Agreement there has been no change in the Credit and Collection Policy except as permitted hereunder.

(p) The Seller has not extended or modified the terms of any Pool Receivable or the Contract under which any such Pool Receivable arose, except in accordance with the Credit and Collection Policy.

(q) Except under the Lock-Box Agreements, the Seller has not granted any Person dominion or control of any Lock-Box Account, or the right to take dominion or control over any Lock-Box Account at a future time or upon the occurrence of a future event.

(r) With respect to each transfer to it of any Pool Receivables, the Seller has either (i) purchased such Pool Receivables from an Originator in exchange for payment (made by the Seller to an Originator in accordance with the provisions of the Second Amended and Restated Receivables Sale Agreement) in an amount which constitutes fair consideration and approximates fair market value for such Pool Receivables and in a sale the terms and conditions of which (including, without limitation, the purchase price thereof) reasonably approximate an arm's-length transaction between unaffiliated parties or (ii) acquired such Pool Receivables from an Originator as a capital contribution in accordance with the provisions of the Second Amended and Restated Receivables Sale Agreement. No such sale, and no such contribution, has been made for or on account of an antecedent debt owed by any Originator to the Seller and no such sale or contribution is or may be voidable or subject to avoidance under any section of the U.S. Bankruptcy Code.

(s) The Seller has filed, or caused to be filed or be included in, all tax reports and returns (federal, state, local and foreign), if any, required to be filed by it and paid, or caused to be paid, all amounts of taxes, including interest and penalties, required to be paid by it, except for such taxes (i) as are being contested in good faith by proper proceedings and (ii) against which adequate reserves shall have been established in accordance with and to the extent required by GAAP, but only so long as the proceedings referred to in clause (i) above would not subject the Agent or any other Indemnified Party to any civil or criminal penalty or liability or involve any material risk of the loss, sale or forfeiture of any property, rights or interests covered hereunder or under the Second Amended and Restated Receivables Sale Agreement.

(t) The Seller is not an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

(u) Both before and after giving effect to (i) each Purchase to be made and each Letter of Credit to be issued on the Effective Date or such other date as Purchases and Letters of Credit requested



hereunder are made or issued, (ii) the disbursement of the proceeds of any Capital Investment, (iii) the consummation of each other transaction contemplated by the other Transaction Documents and (iv) the payment and accrual of all transaction costs in connection with the foregoing, the Seller is Solvent.

**Section 4.02. Representations and Warranties of the Servicer.**

The Servicer represents and warrants as follows:

(a) The Servicer is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction indicated at the beginning of this Agreement, 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 to the extent that any failure to be so qualified or in good standing as a foreign entity could not reasonably be expected to have a Material Adverse Effect.

(b) The execution, delivery and performance by the Servicer of the Transaction Documents to which it is a party and the other documents to be delivered by it hereunder, and the transactions contemplated hereby and thereby, are within the Servicer's corporate powers, have been duly authorized by all necessary corporate action, do not (i) contravene the Servicer's charter or code of regulations, (ii) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, or (iii) breach or result in a default under, or result in the acceleration of (or entitle any party to accelerate) the maturity of any obligation of the Servicer under, or result in or require the creation of any lien upon or security interest in any property of the Servicer pursuant to the terms of, any Contract or any other agreement or instrument (other than any Transaction Document) binding on or affecting the Servicer or any of its properties.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Servicer of any Transaction Document to which it is a party.

(d) This Agreement has been, and each other Transaction Document to which the Servicer is a party when delivered will have been, duly executed and delivered by the Servicer. This Agreement is, and the other Transaction Documents to which the Servicer is party when delivered hereunder will be, the legal, valid and binding obligations of the Servicer enforceable against the Servicer in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and to general equitable principles.

(e) Since December 31, 2006, there has been no Material Adverse Change and there have been no events or developments that, in the aggregate, have had a Material Adverse Effect.

(f) There is no action, suit, investigation, litigation or proceeding pending or, to the knowledge of the Servicer, threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to result in a Material Adverse Change or (ii) restrains, prevents or imposes or can reasonably be expected to impose materially adverse conditions upon the Transaction Documents or the transactions contemplated thereby.

(g) Each Seller Report and Receivables Report (if prepared by the Servicer or one of its Affiliates, or to the extent that information contained therein is supplied by the Servicer or any Affiliate thereof), information, exhibit, financial statement, or other report or document furnished or to be furnished at any time by or on behalf of the Servicer to the Agent or any Owner in connection with this Agreement is and will be accurate in all material respects as of its date or as of the date so furnished, and

no such report or document contains, or will contain, as of its date of delivery or the date so furnished, any untrue statement of a material fact or omits to state, or will omit to state, as of its date of delivery or the date so furnished, a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(h) Since December 31, 2006, the Servicer has complied with the Credit and Collection Policy in all material respects and since the date of this Agreement there has been no change in the Credit and Collection Policy except as permitted hereunder.

(i) The Servicer has not extended or modified the terms of any Pool Receivable or the Contract under which any such Pool Receivable arose, except in accordance with the Credit and Collection Policy or in accordance with Section 6.02(b).

## ARTICLE V

### GENERAL COVENANTS OF THE SELLER AND THE SERVICER

#### Section 5.01. Affirmative Covenants of the Seller.

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Receivable Interest shall be existing and no Yield, Letter of Credit Obligations, fees or other amounts remain unpaid under this Agreement, the Seller will:

(a) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders with respect to it and all Pool Receivables and related Contracts, Related Security and Collections with respect thereto.

(b) Preservation of Corporate Existence. Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such qualification would materially adversely affect the interests of the Owners or the Agent hereunder or in the Pool Receivables and Related Security, or the ability of the Seller or the Servicer to perform their respective obligations hereunder or the ability of the Seller to perform its obligations under the Contracts.

(c) Offices, Records and Books of Accounts. (i) Keep its principal place of business and chief executive office and the offices where it keeps its Records concerning the Pool Receivables at the address of the Seller referred to in Section 4.01(j) or, upon at least 30 days' prior written notice to the Agent, at any other location in a jurisdiction where all actions required by Section 6.05(a) shall have been taken, and (ii) 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 Pool Receivable, the Outstanding Balance of each Pool Receivable and the dates which payments are due thereon and all Collections of and adjustments to each existing Pool Receivable).

(d) Performance and Compliance with Contracts and Credit and Collection Policy. At its expense, timely and fully (i) perform, or cause to be performed, and comply in all material respects with, or cause to be complied with in all material respects, all provisions, covenants and other promises required to be observed by it under the Contracts related to the Pool Receivables, and timely and fully

comply in all material respects with the Credit and Collection Policy in regard to the Pool Receivables and the related Contracts and (ii) as beneficiary of any Related Security, enforce such Related Security as reasonably requested by the Agent.

(e) Examination of Records; Audits.

(i) From time to time upon 2 Business Days' prior notice (except that during the continuance of an Event of Termination, no such notice shall be required) and during regular business hours as requested by the Agent and at the expense of the Seller, permit the Agent, or its agents or representatives, (A) to examine and make copies of and abstracts from all Records in the possession or under the control of the Seller, or the agents of the Seller, relating to Pool Receivables and the Related Security, including, without limitation, the related Contracts, and (B) to visit the offices and properties of the Seller, or the agents of the Seller, for the purpose of examining such materials described in clause (A) above, and to discuss matters relating to Pool Receivables and the Related Security or the Seller's performance hereunder or under the Contracts with any of the officers or employees of the Seller having knowledge of such matters.

(ii) At any time and from time to time, upon the Agent's request (at its own election or upon the request of the Required Purchasers) and at the expense of the Seller, the Seller shall cause independent public accountants or others satisfactory to the Agent to furnish to the Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Receivables and/or a written report of an audit conducted by such accountants with respect to the Pool Receivables, Credit and Collection Policy, Lock-Box Account activity and the Seller's performance of its obligations under this Agreement and the Second Amended and Restated Receivables Sale Agreement on a scope and in a form reasonably requested by the Agent for such audit; provided, however, that unless a Event of Termination or Potential Event of Termination shall be continuing, the Agent shall request no more than one such report during any calendar year.

(iii) The Seller shall conduct, or shall cause to be conducted, at its expense and upon request of the Agent (at its own election or upon the request of the Required Purchasers), and present to the Agent for approval, such appraisals, investigations and reviews as the Agent shall request for the purpose of determining the Net Receivables Pool Balance, all upon notice and at such times during normal business hours and as often as may be reasonably requested. The Seller shall furnish to the Agent any information that the Agent may reasonably request regarding the determination and calculation of the Net Receivables Pool Balance including correct and complete copies of any invoices, underlying agreements, instruments or other documents and the identity of all Obligors in respect of Receivables referred to therein.

(f) Keeping of Records and Books of Account. (i) Keep, or cause to be kept, proper books of record and account, which shall be maintained or caused to be maintained by the Seller and shall be separate and apart from those of any Affiliate of the Seller, in which full and correct entries shall be made of all financial transactions and the assets and business of the Seller in accordance with GAAP, (ii) to the extent Records are in written form, segregate such Records in file cabinets or storage containers and appropriately label such file cabinets or storage containers to reflect that the Receivable Interests have been conveyed to the Owners, and (iii) to the extent such Records constitute computer programs and other non-written Records, appropriately legend such Records to reflect that the Receivable Interests have been conveyed to the Owners.

(g) Deposits to Lock-Box Accounts. Instruct, or cause the Servicer to instruct, all Obligor to make payments in respect of Pool Receivables to a Lock-Box Account and, if the Seller or any Originator shall otherwise receive any Collections (including, without limitation, any Collections deemed to have been received by the Seller pursuant to Section 2.09), segregate and hold in trust such Collections and deposit such Collections, or cause such Collections to be deposited, to a Lock-Box Account within 2 Business Days following such receipt.

(h) Maintenance of Separate Existence. Do all things necessary to maintain its corporate existence separate and apart from each Originator and other Affiliates of the Seller, including, without limitation, (i) maintaining proper corporate records and books of account separate from those of such Affiliates; (ii) maintaining its assets, funds and transactions separate from those of such Affiliates, reflecting such assets, funds and transactions in financial statements separate and distinct from those of such Affiliates, and evidencing such assets, funds and transactions by appropriate entries in the records and books referred to in clause (i) above, and providing for its own operating expenses and liabilities from its own assets and funds other than certain expenses and liabilities relating to basic corporate overhead which may be allocated between the Seller and such Affiliates; (iii) holding such appropriate meetings or obtaining such appropriate consents of its Board of Directors as are necessary to authorize all the Seller's corporate actions required by law to be authorized by its Board of Directors, keeping minutes of such meetings and of meetings of its stockholders and observing all other customary corporate formalities (and any successor Seller not a corporation shall observe similar procedures in accordance with its governing documents and applicable law); (iv) at all times entering into its contracts and otherwise holding itself out to the public under the Seller's own name as a legal entity separate and distinct from such Affiliates; and (v) conducting all transactions and dealings between the Seller and such Affiliates on an arm's-length basis.

(i) Compliance with Opinion Assumptions and Charter and By-Laws. Without limiting the generality of subsection (h) above, maintain in place all policies and procedures, and take and continue to take all actions, described in the assumptions as to facts set forth in, and forming the basis of, the opinions set forth in the opinion delivered to the Agent pursuant to subclause (xii)(C) of Section 3.01(b), and comply with, and cause compliance with, the provisions of the charter and by-laws of the Seller delivered to the Agent pursuant to Section 3.01 as the same may, from time to time, be amended, supplemented or otherwise modified with the prior written consent of the Agent.

(j) Purchase of Pool Receivables from Originators. With respect to each Pool Receivable acquired from any Originator by the Seller other than as a capital contribution, pay to such Originator (in accordance with the Second Amended and Restated Receivables Sale Agreement) an amount which constitutes fair consideration and approximates fair market value for such Pool Receivable and in a sale the terms and conditions of which (including, without limitation, the purchase price thereof) reasonably approximates an arm's-length transaction between unaffiliated parties.

(k) Nature of Business and Permitted Transactions. Engage solely in the businesses and transactions authorized by Section 3 of its charter.

(l) Transaction Documents. At its expense, timely and fully perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under each of the Transaction Documents, maintain each of the Transaction Documents in full force and effect, enforce in accordance with its terms, take all such action to such end as may be from time to time reasonably requested by the Agent, and make to any party to each of the Transaction Documents such demands and requests for information and reports or for action as the Seller is entitled to make thereunder and as may be from time to time reasonably requested by the Agent.

### **Section 5.02. Reporting Requirements of the Seller.**

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Receivable Interest shall be existing and no Yield, Letter of Credit Obligations, fees or other amounts remain unpaid under this Agreement, the Seller will furnish to the Agent for distribution to the Purchasers:

(a) Monthly Reports. Within 35 days after the end of each of the first 11 fiscal months in each Fiscal Year, financial information regarding the Seller consisting of unaudited balance sheets as of the close of such month and the related statements of income and cash flow for such month and that portion of the current Fiscal Year ending as of the close of such month, in each case certified by a chief financial officer or treasurer of the Seller as fairly presenting the financial position of the Seller as at the dates indicated and the results of its operations and cash flow for the periods indicated and recorded in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments) and in form reasonable acceptable to the Agent and the Required Purchasers.

(b) Annual Reports. Within 95 days after the end of each Fiscal Year, financial information regarding the Seller consisting of balance sheets of the Seller as of the end of such year and related statements of income and cash flows of the Seller for such Fiscal Year, all prepared in conformity with GAAP and certified, in the case of such Financial Statements, without qualification, including, without limitation, as to the scope of the audit or as to the Seller being a going concern by the Seller's independent public accountants, together with the report of such accounting firm stating that (i) such financial statements fairly present the financial position of the Seller as at the dates indicated and the results of their operations and cash flow for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except for changes with which the Seller's independent public accountants shall concur and that shall have been disclosed in the notes to the financial statements) and (ii) the examination by the Seller's independent public accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and accompanied by a certificate stating that in the course of the regular audit of the business of the Seller such accounting firm has obtained no knowledge that a Potential Event of Termination or Event of Termination has occurred and is continuing, or, if in the opinion of such accounting firm, a Potential Event of Termination or Event of Termination has occurred and is continuing, a statement as to the nature thereof.

(c) Notice of Event of Termination. As soon as possible and in any event within 2 Business Days after a Responsible Officer of the Seller first becomes aware of each Event of Termination or Potential Event of Termination continuing on the date of such statement, a statement of a Responsible Officer of the Seller setting forth details of such Event of Termination or Potential Event of Termination and the action which the Seller has taken and proposes to take with respect thereto.

(d) Other. Upon demand, such other information, documents, records or reports respecting the Receivables, the Related Security, the Contracts or the condition or operations, financial or otherwise, of the Seller as the Agent may from time to time reasonably request.

### **Section 5.03. Negative Covenants of the Seller.**

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Receivable Interest shall be existing and no Yield, Letter of Credit Obligations, fees or other amounts remain unpaid under this Agreement, the Seller will not:

(a) Sales, Adverse Claims, Etc.

Except as otherwise provided herein, 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 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 any Deposit Account to which any Collections of any Pool Receivable are sent (including, without limitation, any Lock-Box Account), or assign any right to receive income in respect thereof; provided, however, that the Seller may, with the prior written consent of the Agent, sell or assign its undivided interest in any Pool Receivable or Related Security or Collections in respect thereof for consideration consisting solely of cash.

(b) Extension or Amendment of Receivables.

Except as otherwise permitted in Section 6.02, extend, amend or otherwise modify the terms of any Pool Receivable, or amend, modify or waive any term or condition of any Contract related thereto.

(c) Change in Business or Credit and Collection Policy.

Make any change in the character of its business or in the Credit and Collection Policy that would, in either case, be reasonably likely to impair the collectibility of the Pool Receivables.

(d) Change in Payment Instructions to Obligors.

Add or terminate any bank as a Lock-Box Bank or any Deposit Account as a Lock-Box Account from those listed in Schedule I, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box Account, unless the Agent shall have received at least 20 days' prior written notice of such addition, termination or change and shall have received, with respect to each new Lock-Box Account, a Lock-Box Agreement executed by the Lock-Box Bank that maintains such Lock-Box Account and the Seller or any Originator, as applicable.

(e) Deposits to Lock-Box Accounts.

Deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than Collections of Pool Receivables.

(f) Change of Name, Etc.

Change its name, identity, form of legal structure or jurisdiction of organization, unless, prior to the effective date of any such change, the Seller delivers to the Agent (i) UCC financing statements necessary to reflect such change and to continue the perfection of the ownership interests in the Receivable Interests contemplated by this Agreement and (ii) if the identity or structure of the Seller has changed and such change adversely affects the rights of the Agent under then existing Lock-Box Agreements with the Seller to take control of the Lock-Box Accounts pursuant to Section 6.03(a), new Lock-Box Agreements executed by the Seller and the Lock-Box Banks, to the extent necessary to reflect such changes and to continue to enable the Agent to exercise such rights.

(g) Debt.

Except as otherwise provided herein or in the Second Amended and Restated Receivables Sale Agreement, create, incur, assume or suffer to exist any indebtedness, other than (i) indebtedness of the

Seller representing fees, expenses and indemnities arising hereunder or under the Second Amended and Restated Receivables Sale Agreement for the purchase price of the Receivables under the Second Amended and Restated Receivables Sale Agreement, and (ii) other indebtedness of the Seller incurred in the ordinary course of its business in an amount not to exceed \$9,500 at any time outstanding.

(h) Lease Obligations.

Create, incur, assume or suffer to exist any obligations as lessee for the rental or lease of real or personal property, other than for the lease or rental of an office space or office equipment for use by the Seller in the ordinary course of its business.

(i) ERISA.

Adopt, maintain, contribute to or incur or assume any obligation with respect to any Plan, Multiemployer Plan or Welfare Plan.

(j) Investments in Other Persons.

Except as otherwise provided herein or in the Second Amended and Restated Receivables Sale Agreement, make or hold any Investment in any Person.

(k) Sales, Etc., of Assets.

Except as contemplated or otherwise permitted by this Agreement, sell, lease, transfer or otherwise dispose of any assets.

(l) Merger, Etc.

Consolidate with or merge into any other Person.

(m) Organizational Documents.

Amend, supplement or otherwise modify its charter or by-laws, in each case furnished to the Agent pursuant to clause (v) Section 3.01(b).

(n) Accounting.

Account for (including for accounting and tax purposes) or otherwise treat the transactions contemplated by the Second Amended and Restated Receivables Sale Agreement in any manner other than as sales of Receivables by any Originator to the Seller, or account for (other than for tax purposes) or otherwise treat the transactions contemplated by this Agreement in any manner other than as sales of Receivable Interests by the Seller to the Agent for the account of the Purchasers, or otherwise change its (i) accounting treatment and reporting practices or tax reporting treatment, except as required by GAAP or any Requirement of Law and disclosed to the Purchasers and the Agent or (ii) fiscal year.

(o) Second Amended and Restated Receivables Sale Agreement and Second Amended and Restated Letter of Credit Agreement.

(i) Cancel or terminate the Second Amended and Restated Receivables Sale Agreement or Second Amended and Restated Letter of Credit Agreement or consent to or accept

any cancellation or termination thereof, (ii) amend, supplement or otherwise modify any term or condition of the Second Amended and Restated Receivables Sale Agreement or Second Amended and Restated Letter of Credit Agreement or give any consent, waiver or approval thereunder, (iii) waive any default under or breach of the Second Amended and Restated Receivables Sale Agreement or Second Amended and Restated Letter of Credit Agreement or (iv) take any other action under the Second Amended and Restated Receivables Sale Agreement or Second Amended and Restated Letter of Credit Agreement not required by the terms thereof that would impair the value of any Receivable Assets (as defined therein) or the rights or interests of the Seller thereunder or of the Agent or any Owner or Indemnified Party hereunder or thereunder.

(p) Adverse Claims on the Capital Stock of the Seller. Create or suffer to exist, any Adverse Claim upon or with respect to any of the Stock of the Seller.

**Section 5.04. Affirmative Covenants of the Servicer.**

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Receivable Interest shall be existing and no Yield, Letter of Credit Obligations, fees or other amounts remain unpaid under this Agreement, the Servicer will:

(a) Compliance with Laws, Etc.

Comply in all material respects with all applicable laws, rules, regulations and orders with respect to it and all Pool Receivables and related Contracts, Related Security and Collections with respect thereto.

(b) Preservation of Corporate Existence.

Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such qualification would materially adversely affect the interests of the Owners or the Agent hereunder or in the Pool Receivables and Related Security, or the ability of the Servicer to perform its obligations hereunder.

(c) Books of Accounts.

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 Pool Receivable, the Outstanding Balance of each Pool Receivable and the dates which payments are due thereon and all Collections of and adjustments to each existing Pool Receivable).

(d) Performance and Compliance with Contracts and Credit and Collection Policy.

At its expense, timely and fully (i) perform, or cause to be performed, and comply in all material respects with, or cause to be complied with in all material respects, all provisions, covenants and other promises required to be observed by it under the Contracts related to the Pool Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy in regard to the Pool Receivables and the related Contracts and (ii) as beneficiary of any Related Security, enforce and cause each other Originator to enforce such Related Security as reasonably requested by the Agent.



(e) Examination of Records; Audits.

(i) From time to time upon 2 Business Days' prior notice (except that during the continuance of an Event of Termination, no such notice shall be required) and during regular business hours as requested by the Agent and at the expense of the Servicer, permit the Agent, or its agents or representatives, (A) to examine and make copies of and abstracts from all Records in the possession or under the control of any Originator, the Servicer, their respective Affiliates (other than the Seller) or the agents of such Originator, the Servicer or their respective Affiliates, relating to Pool Receivables and the Related Security, including, without limitation, the related Contracts, and (B) to visit the offices and properties of any Originator, the Servicer, their respective Affiliates (other than the Seller) or the agents of such Originator, the Servicer, or their respective Affiliates, for the purpose of examining such materials described in clause (A) above, and to discuss matters relating to Pool Receivables and the Related Security or the Servicer's performance hereunder or under the Contracts with any of the officers or employees of the Servicer having knowledge of such matters.

(ii) The Agent may (at its own election or at the request of the Required Purchasers), at the Servicer's sole cost and expense, make test verifications of the Receivables in any manner and through any medium that the Agent considers advisable, and the Servicer shall furnish all such assistance and information as the Agent may require in connection therewith.

(iii) At any time and from time to time, upon the Agent's request (at its own election or at the request of the Required Purchasers) and at the expense of the Servicer, the Servicer shall cause independent public accountants or others satisfactory to the Agent to furnish to the Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Receivables and/or a written report of an audit conducted by such accountants with respect to the Pool Receivables, Credit and Collection Policy, Lock-Box Account activity and the Servicer's performance of its obligations under this Agreement and the Second Amended and Restated Receivables Sale Agreement on a scope and in a form reasonably requested by the Agent for such audit; provided, however, that unless a Event of Termination or Potential Event of Termination shall be continuing, the Agent shall request no more than 4 such reports during any calendar year.

(iv) The Servicer shall conduct, or shall cause to be conducted, at its expense and upon request of the Agent (at its own election or at the request of the Required Purchasers), and present to the Agent for approval, such appraisals, investigations and reviews as the Agent shall request for the purpose of determining the Net Receivables Pool Balance, all upon notice and at such times during normal business hours and as often as may be reasonably requested. The Servicer shall furnish to the Agent any information that the Agent may reasonably request regarding the determination and calculation of the Net Receivables Pool Balance including correct and complete copies of any invoices, underlying agreements, instruments or other documents and the identity of all Obligors in respect of Receivables referred to therein.

(f) Keeping of Records and Books of Account.

(i) Keep, or cause to be kept, 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 Servicer in accordance with GAAP, (ii) to the extent Records are in written form, segregate such Records in file cabinets or storage containers and appropriately label such file cabinets or storage containers to reflect that the Receivable Interests have been conveyed to the Owners, and (iii) to the extent such Records constitute computer programs and other non-written Records,

appropriately legend such Records to reflect that the Receivable Interests have been conveyed to the Owners.

(g) Deposits to Lock-Box Accounts.

Instruct all Obligors to make payments in respect of Pool Receivables to a Lock-Box Account and, if the Servicer shall otherwise receive any Collections (including, without limitation, any Collections deemed to have been received by the Seller pursuant to Section 2.09), segregate and hold in trust such Collections and deposit such Collections, or cause such Collections to be deposited, to a Lock-Box Account within 2 Business Days following such receipt.

**Section 5.05. Reporting Requirements of the Servicer.**

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Receivable Interest shall be existing and no Yield, Letter of Credit Obligations, fees or other amounts remain unpaid under this Agreement, the Servicer will furnish to the Agent for distribution to the Purchasers:

(a) Monthly Reports. Within 35 days after the end of each of the first two fiscal months in each fiscal quarter, financial information regarding PolyOne and its Subsidiaries consisting of Consolidated unaudited balance sheets as of the close of such month and the related statements of income and cash flow for such month and that portion of the current Fiscal Year ending as of the close of such month, setting forth in comparative form the figures contained in the Amended and Restated Projections or, if applicable, the latest business plan provided pursuant to clause (e) below for the current Fiscal Year, in each case certified by the chief financial officer, treasurer or other Responsible Officer acceptable to the Agent of PolyOne as fairly presenting the Consolidated financial position of PolyOne and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated and recorded in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments) and in form reasonably acceptable to the Agent and the Required Purchasers.

(b) Quarterly Reports. Within 50 days after the end of each of the first 3 fiscal quarters of each Fiscal Year, financial information regarding PolyOne and its Subsidiaries consisting of Consolidated unaudited balance sheets as of the close of such quarter and the related statements of income and cash flow for such quarter and that portion of the Fiscal Year ending as of the close of such quarter, setting forth in comparative form the figures contained in the Amended and Restated Projections or, if applicable, the latest business plan provided pursuant to clause (e) below for the current Fiscal Year in each case certified by the chief financial officer, treasurer or other Responsible Officer acceptable to the Agent of PolyOne as fairly presenting the Consolidated financial position of PolyOne and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments) and in form reasonably acceptable to the Agent and the Required Purchasers.

(c) Annual Reports. Within 95 days after the end of each Fiscal Year, financial information regarding PolyOne and its Subsidiaries consisting of Consolidated balance sheets of PolyOne and its Subsidiaries as of the end of such year and related statements of income and cash flows of PolyOne and its Subsidiaries for such Fiscal Year, all prepared in conformity with GAAP and certified, in the case of such Consolidated financial statements, without qualification, including, but not limited to, as to the scope of the audit or as to PolyOne being a going concern by PolyOne's independent public accountants, together with the report of such accounting firm stating that (i) such financial statements fairly present the

Consolidated financial position of PolyOne and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except for changes with which PolyOne's independent public accountants shall concur and that shall have been disclosed in the notes to the financial statements) and (ii) the examination by PolyOne's independent public accountants in connection with such Consolidated Financial Statements has been made in accordance with generally accepted auditing standards, and accompanied by a certificate stating that in the course of the regular audit of the business of PolyOne and its Subsidiaries such accounting firm has obtained no knowledge that an Event of Termination or a Potential Event of Termination has occurred and is continuing, or, if in the opinion of such accounting firm, a Potential Event of Termination or Event of Termination has occurred and is continuing, a statement as to the nature thereof.

(d) Notice of Event of Termination. As soon as possible and in any event within 2 Business Days after a Responsible Officer of the Servicer, PolyOne or an Originator first becomes aware of each Event of Termination or Potential Event of Termination continuing on the date of such statement, a statement of the chief financial officer or treasurer of the Servicer setting forth details of such Event of Termination or Potential Event of Termination and the action which the Seller has taken and proposes to take with respect thereto.

(e) Business Plan. Not later than the earlier of (i) 15 days after PolyOne has received the approval of its board of directors therefor and (ii) 90 days after the commencement of each Fiscal Year: (A) the annual business plan of PolyOne and its Subsidiaries for such Fiscal Year approved by the Board of Directors of PolyOne, (B) forecasts prepared by management of PolyOne for each fiscal month in such Fiscal Year and (C) forecasts prepared by management of PolyOne for such Fiscal Year and each of the succeeding Fiscal Years through the Commitment Termination Date, including, in each instance described in clauses (B) and (C) above, (x) a projected year-end Consolidated balance sheet and income statement and statement of cash flows, (y) a statement of all of the material assumptions on which such forecasts are based and (z) containing the types of financial information contained in the Amended and Restated Projections.

(f) Public and Creditors' Reports. Promptly after the sending or filing thereof, copies of (a) all reports PolyOne sends to its security holders generally, (b) all reports and registration statements that PolyOne or any of its Subsidiaries files with the Securities and Exchange Commission or any national or foreign securities exchange or the National Association of Securities Dealers, Inc., (c) all press releases and all other statements concerning material changes or developments in the business of PolyOne made available by PolyOne or any of its domestic Subsidiaries to the public or any other creditor.

(g) Other. Upon demand, such other information, documents, records or reports respecting the Receivables, the Related Security, the Contracts or the condition or operations, financial or otherwise, of PolyOne as the Agent may from time to time reasonably request.

#### **Section 5.06. Negative Covenants of the Servicer.**

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Receivable Interest shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement, the Servicer will not:

(a) Extension or Amendment of Receivables.

Except as otherwise permitted in Section 6.02, extend, amend or otherwise modify the terms of any Pool Receivable, or amend, modify or waive any term or condition of any Contract related thereto.

(b) Change in Business or Credit and Collection Policy.

Make any change in the character of its business or in the Credit and Collection Policy that would, in either case, be reasonably likely to impair the collectibility of the Pool Receivables.

(c) Change in Payment Instructions to Obligors.

Add or terminate any bank as a Lock-Box Bank or any Deposit Account as a Lock-Box Account from those listed in Schedule I, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box Account, unless the Agent shall have received at least 20 days' prior written notice of such addition, termination or change and shall have received, with respect to each new Lock-Box Account, a Lock-Box Agreement executed by the Lock-Box Bank that maintains such Lock-Box Account and the Seller or any Originator, as applicable.

(d) Deposits to Lock-Box Accounts.

Deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than Collections of Pool Receivables.

(e) Accounting. Change its (i) accounting treatment and reporting practices or tax reporting treatment, except as required by GAAP or any Requirement of Law and disclosed to the Purchasers and the Agent or (ii) fiscal year.

(f) Asset Sales. Sell, convey, transfer, lease or otherwise dispose of, any of its assets or any interest therein (including the sale or factoring at maturity or collection of any accounts), whether in a single transaction, or a series of related transactions, to any Person, or permit or suffer any other Person to acquire any interest in any of its assets except:

(i) sales pursuant to the Second Amended and Restated Receivables Sale Agreement;

(ii) the sale or other disposition of inventory in the ordinary course of business;

(iii) [Intentionally Deleted]

(iv) the sale or other disposition of assets or any interest therein having a Fair Market Value that is less than (x) \$250,000 individually and (y) \$2,000,000 in the aggregate for all such dispositions; and

(v) dispositions of assets or interests therein not otherwise permitted above so long as (w) no Potential Event of Termination or Event of Termination is continuing or would result therefrom, (x) such sale or other transfer is for Fair Market Value, (y) if such asset or interest has a Fair Market Value of \$10,000,000 or more, or if when aggregated with all such assets or interest previously sold, conveyed, transferred, leased or disposed at any time after the Effective Date, \$25,000,000 or more, 50% of the proceeds of such sale or transfer (or such series of related sales

or transfers) are payable in cash to the Servicer upon the consummation of each such sale or transfer, and (z) if the Fair Market Value of such asset is in excess of \$25,000,000, the Board of Directors of the Servicer has approved such sale.

(g) Adverse Claims on the Capital Stock of the Seller. Create or suffer to exist, any Adverse Claim upon or with respect to any of the Stock of the Seller.

#### **Section 5.07. Affirmative Financial Covenants of the Servicer.**

Until the later of the Termination Date and the date upon which no Capital Investment for any Receivable Interest shall be existing and no Yield, Letter of Credit Obligations, fees or other amounts remain unpaid under this Agreement, the Servicer will, so long as the Servicer shall be PolyOne or an Affiliate thereof:

(a) Minimum Fixed Charge Coverage Ratio. Maintain as of the end of any fiscal quarter during which Total Excess Availability (calculated using the average Total Excess Availability for each day during such fiscal quarter) is less than \$40,000,000, a Fixed Charge Coverage Ratio of not less than 1:1.

(b) Minimum Excess Availability. Maintain on each day Receivables Excess Availability in an amount not less than \$10,000,000 and Total Excess Availability in an amount not less than \$15,000,000.

#### **Section 5.08. Negative Financial Covenants of the Servicer.**

Until the later of the Termination Date and the date upon which no Capital Investment for any Receivable Interest shall be existing, and no Yield, Letter of Credit Obligations, fees or other amounts shall remain unpaid under this Agreement, the Servicer (so long as the Servicer shall be PolyOne or an Affiliate thereof) will not:

(a) Capital Expenditures. Make or incur, or permit its Subsidiaries to make or incur, Capital Expenditures during each their respective Fiscal Years in an aggregate amount in excess of \$90,000,000.

(b) Restricted Payments. (A) Directly or indirectly, declare, order, pay, make or set apart any sum for any Restricted Payment unless, (i) such Restricted Payment, together with all Restricted Payments made in the then current Fiscal Year, does not exceed \$20,000,000 and Total Excess Availability (calculated on a pro forma basis and using the average Total Excess Availability for each day during the preceding calendar month) is at least \$50,000,000; or (ii) Total Excess Availability (calculated on a pro forma basis and using the average Total Excess Availability for each day during the preceding calendar month) is at least \$75,000,000 and the Fixed Charge Coverage Ratio for PolyOne and its Consolidated Subsidiaries for the then most recently ended four fiscal quarter period is at least 1.5 to 1.00; or (iii) Total Excess Availability (calculated on a pro forma basis and using the average Total Excess Availability for each day during the preceding calendar month) is at least \$100,000,000 and the Fixed Charge Coverage Ratio for PolyOne and its Consolidated Subsidiaries for the then most recently ended four fiscal quarter period is at least 1.0 to 1.0. (B) The Servicer may apply up to 70% of the net cash proceeds received by the Servicer from the sale of any assets in accordance with the requirements of Section 5.06(f) (as certified to the Agent by a Responsible Officer of the Servicer), to the extent not used to prepay or redeem the 10<sup>5</sup>/<sub>8</sub>% Senior Notes pursuant to Section 5.06(c)(v) above, to make Restricted Payments; *provided, that*, both before and after giving effect to any such Restricted Payment, (x) each of the representations and warranties contained in *Article IV (Representations and Warranties)* of this

Agreement or the other Transaction Documents is true and correct in all material respects as if made on and as of such date and except to the extent that such representations and warranties specifically relate to a specific date, in which case such representations and warranties shall be true and correct in all material respects as of such specific date, (y) no Potential Event of Termination or Event of Termination shall have occurred and be continuing on and as of such date and (z) such Restricted Payments made under this Section 5.08(B) from asset sales under Section 5.06(f) do not exceed \$80,000,000 in the aggregate during the term of this Agreement.

(c) Prepayment of Debt. Prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, any Debt and will not permit any of its Subsidiaries to do any of the foregoing; provided, however, that the Servicer or any Subsidiary of the Servicer may (i) prepay any obligations hereunder in accordance with the terms of this Agreement, (ii) make regularly scheduled or otherwise required repayments or redemptions of Debt, (iii) prepay any Debt payable to the Servicer by any of its Subsidiaries, (iv) renew, extend, refinance and refund Debt on terms no less favorable to the Servicer or its Subsidiary obligated thereunder, including as to weighted average maturity and final maturity, than the Debt being renewed, extended, refinanced or refunded, (v) to the extent that the Servicer sells or otherwise disposes of any assets in accordance with the requirements of Section 5.06(f) (as certified to the Agent by a Responsible Officer of the Servicer), the Servicer may apply up to 70% of the net cash proceeds received by the Servicer in connection with any such sale or other disposition (as such amount shall be certified to the Agent by a Responsible Officer of the Servicer) to prepay, redeem or otherwise purchase, at the election of the Servicer, any 10% Senior Notes outstanding; provided, that, both before and after giving effect to any such prepayment, redemption or purchase, (x) each of the representations and warranties contained in *Article IV (Representations and Warranties)* of this Agreement or the other Transaction Documents is true and correct in all material respects as if made on and as of such date and except to the extent that such representations and warranties specifically relate to a specific date, in which case such representations and warranties shall be true and correct in all material respects as of such specific date and (y) no Potential Event of Termination or Event of Termination shall have occurred and be continuing on and as of such date, and (vi) prepay any other obligations on any Debt provided, that before and after giving effect to such prepayment (a) Total Excess Availability (calculated on a pro forma basis using the average Total Excess Availability for each day during the preceding calendar month) is not less than \$60,000,000, reduced by the amount of any Restricted Payments made during such month and (b) the Fixed Charge Coverage Ratio of the Servicer and its Subsidiaries for the then most recently ended four fiscal quarter period is not less than 1.0 to 1.0.

## ARTICLE VI

### ADMINISTRATION AND COLLECTION

#### Section 6.01. Designation of Servicer.

The Pool Receivables shall be serviced, administered and collected by the Person (the "Servicer") designated to do so from time to time in accordance with this Section 6.01. Until the Agent designates a new Servicer, PolyOne is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms hereof. The Agent may at any time designate as Servicer any Person (including itself) to succeed PolyOne or any successor Servicer, if such Person (other than itself) shall agree in writing to perform the duties and obligations of the Servicer pursuant to the terms hereof. The Servicer may subcontract with each Originator to service, administer or collect the Pool Receivables that such Originator creates, and may, with the prior consent of the Agent, subcontract with any other Person to service, administer or collect the Pool Receivables, provided that such other Originator or other

Person with whom the Servicer so subcontracts shall not become the Servicer hereunder and the Servicer shall remain liable for the performance of the duties and obligations of the Servicer pursuant to the terms hereof.

**Section 6.02. Duties of Servicer.**

(a) The Servicer shall take or cause to be taken all such commercially reasonable 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. Each of the Seller, the Purchasers and the Agent hereby appoints as its agent the Servicer, 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.

(b) The Servicer 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 2.07 and 2.08, 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 such Sections. If instructed by the Agent, the Servicer shall segregate and deposit with a bank (which may be Citicorp) 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 Servicer of such Collections. If no Event of Termination or Potential Event of Termination shall have occurred and be continuing, PolyOne, while it is the Servicer, may, in accordance with the Credit and Collection Policy, (i) extend the maturity or adjust the Outstanding Balance of any Receivable (that is not an Eligible Receivable) as PolyOne may determine to be appropriate to maximize Collections thereof, (ii) extend the term of any Contract and (iii) adjust any other terms and conditions of any Contract if, but only if (in the case of this clause (iii)), the Servicer gives at least 2 Business Days' prior written notice of such adjustments to the Agent and the Agent agrees in writing to such adjustments.

(c) The Servicer shall administer the Collections in accordance with the procedures described herein and in Section 2.09. The Servicer shall set aside and hold in trust for the account of the Seller in accordance with Section 6.02(b) above, (i) the Seller's allocable share of the Collections of Pool Receivables less all reasonable out-of-pocket costs and expenses of the Servicer of servicing, administering and collecting the Pool Receivables to the extent not covered by the Servicer Fee received by it and (ii) the Collections of any Receivable which is not a Pool Receivable in accordance with Section 2.09. The Servicer shall, if not PolyOne, as soon as practicable following receipt, turn over to the Seller any cash collections or other cash proceeds received with respect to Receivables not constituting Pool Receivables.

(d) The Servicer shall hold in trust for the Seller and each Owner, in accordance with their respective interests, all Records that evidence or relate to the Pool Receivables. The Servicer shall, upon the occurrence and during the continuance of any Event of Termination, and at the request of the Agent, provide to the Agent the Records with respect to the Pool Receivables.

(e) The Servicer shall, from time to time at the request of the Agent, furnish to the Agent (promptly after any such request) a calculation of the amounts set aside for each Owner pursuant to Section 2.07 or 2.08.

### **Section 6.03. Rights of the Agent.**

(a) The Seller and PolyOne each hereby transfer 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 any further action that the Agent may reasonably request to effect such transfer. Further, the Agent may notify at any time and at the Seller's expense the Obligors of Pool Receivables, or any of them, of the ownership of Receivable Interests by the Owners.

(b) At any time:

(i) The Agent may direct the Obligors of Pool Receivables, or any of them, to make payment of all amounts due or to become due to the Seller under any Pool Receivable directly to the Agent or its designee.

(ii) The Seller and PolyOne each shall, at the Agent's request and at the Seller's and PolyOne's expense, give notice of such ownership to such Obligors and direct them to make such payments directly to the Agent or its designee.

(iii) The Seller and PolyOne each shall, at the Agent's request, (A) assemble all of the Records which evidence or relate to the Pool Receivables, and the related Contracts and Related Security, or which are otherwise necessary or desirable to collect the Pool Receivables, and shall make the same available to the Agent at a place reasonably 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 or other proceeds of Pool Receivables in a manner reasonably 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) The Agent may take any and all commercially reasonable steps in the Seller's or PolyOne's name and on behalf of the Seller 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 PolyOne's name on checks and other instruments representing Collections or other proceeds of Pool Receivables, enforcing such Pool Receivables and the related Contracts, and adjusting, settling or compromising the amount or payment thereof, in the same manner and to the same extent as the Seller or PolyOne might have done.

### **Section 6.04. Responsibilities of the Seller.**

Anything herein to the contrary notwithstanding:

(a) The Seller and PolyOne each shall perform all of its obligations under the Contracts related to the Pool Receivables to the same extent as if Receivable Interests had not been sold hereunder and the exercise by the Agent of its rights hereunder shall not release PolyOne or the Seller from such obligations or its obligations with respect to Pool Receivables or under the related Contracts; 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 or any Originator thereunder.



### **Section 6.05. Further Action Evidencing Purchases.**

(a) The Seller and the Servicer each agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary, or that the Agent may reasonably request, in order to perfect, protect or more fully evidence the Receivable Interests 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. Without limiting the generality of the foregoing, the Seller and the Servicer each will upon the request of the Agent, in order to perfect, protect or evidence such Receivable Interests: (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 as the Agent may reasonably request; (ii) mark conspicuously each invoice evidencing each Pool Receivable and the related Contract with a legend, acceptable to the Agent, evidencing that such Receivable Interests 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.

(b) The Seller hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relating to all or any of the Contracts, or Pool Receivables and the Related Security and Collections with respect thereto, 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.

(c) If the Servicer or the Seller fails to perform any agreement contained herein, then after notice to the Servicer or the Seller, as applicable, the Agent may itself perform, or cause performance of, such agreement, and the reasonable costs and expenses of the Agent incurred in connection therewith shall be payable by the Seller under Section 10.01 or Section 11.04, as applicable.

## **ARTICLE VII**

### **EVENTS OF TERMINATION**

#### **Section 7.01. Events of Termination.**

If any of the following events ("Events of Termination") shall occur and be continuing:

(a) The Seller or the Servicer shall fail to make any payment or deposit to be made by it hereunder when due and such failure remains unremedied for 3 days; or

(b) Any representation or warranty made or deemed made by the Seller or any Originator or the Servicer (or any of their respective officers) under or in connection with this Agreement or any other Transaction Document or in any Seller Report, or Receivables Report or any other written report, certificate or information delivered by or on behalf of the Seller or any Originator or the Servicer (or any of their respective officers) pursuant hereto or thereto, shall prove to have been incorrect in any material respect when made or deemed made or delivered; or

(c) (i) The Seller or the Servicer shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e), 5.01(g), 5.02, 5.03, 5.04(e), 5.04(g), 5.05 or 5.06 of this Agreement, (ii) any Originator shall fail to perform or observe any term, covenant or agreement contained in Section 4.01(g), 4.01(i), 4.01(j)(iii) or 4.02 of the Second Amended and Restated Receivables Sale

Agreement; or (iii) the Seller, the Servicer, PolyOne (other than in its capacity as Servicer) or any Originator shall fail to perform or observe any other term, covenant or agreement contained in any Transaction Document on its part to be performed or observed and any such failure shall remain unremedied for 3 Business Days after the earlier of (A) the date on which a Responsible Officer of PolyOne becomes aware of such failure and (B) the date on which written notice thereof shall have been given to the Seller by the Agent or any Purchaser; or

(d) The Seller or PolyOne shall fail to pay any principal of, or premium or interest on, any of its Debt that is outstanding in a principal amount of at least \$9,500, in the case of the Seller, and \$15,000,000, in the case of PolyOne or any Originator, 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 (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

(e) Any Purchase or any reinvestment pursuant to Section 2.07 shall for any reason (other than pursuant to the terms hereof) cease to create, or any Receivable Interest shall for any reason cease to be, a valid and perfected first priority undivided percentage ownership interest or security interest to the extent of the pertinent Receivable Interest in each applicable Pool Receivable and the Related Security and Collections with respect thereto; or

(f) The Seller, the Servicer or any Originator 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, the Servicer or any Originator 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) that is being diligently contested by it in good faith, 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 Seller, the Servicer or any Originator shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) The Net Receivables Pool Balance shall be less than the Required Net Receivables Pool Balance for a period of 2 consecutive Business Days or more; or

(h) Since December 31, 2006, there shall have been any Material Adverse Change (other than to the extent expressly set forth on Schedule V hereto or disclosed in any public filing prior to the date hereof with the Securities and Exchange Commission); or

(i) Any provision of any Transaction Document shall for any reason cease to be a legal, valid and binding obligation of the Seller, the Servicer or any Originator, as applicable, or the Seller, the Servicer or any Originator, as applicable, shall so state in writing; or

(j) A Change of Control shall occur; or

(k) The charter or by-laws of the Seller shall be amended, supplemented or otherwise modified without consent of the Agent; or

(l) On the date which is 60 days prior to the final maturity date of the 10<sup>5</sup>/<sub>8</sub>% Senior Notes, the outstanding principal amount of the 10<sup>5</sup>/<sub>8</sub>% Senior Notes is \$40,000,000 or more;

then, and in any such event, the Agent shall, at the request, or may with the consent, of the Required Purchasers, by notice to the Seller and the Servicer declare the Termination Date to have occurred, whereupon the Termination Date shall forthwith occur; provided, that, automatically upon the occurrence of any event (without any requirement for the passage of time or the giving of notice, or both) described in subsection (f) of this Section 7.01, the Termination Date shall occur, and the Agent may replace the Servicer pursuant to Section 6.01. Upon any such occurrence of the Termination Date, the Agent and each Owner shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under any and all applicable laws, which rights shall be cumulative.

#### **Section 7.02. Actions in Respect of Letters of Credit.**

Upon the occurrence or declaration of the Termination Date, pursuant to Section 2.08, the Servicer shall set aside and hold in trust as security for repayment of all amounts with respect to undrawn Letters of Credit for the Purchasers an amount equal to (a) 105% in respect of Standby Letters Of Credit and (b) 115% in respect of Documentary Letters of Credit, of the Letter of Credit Undrawn Amount. The Servicer may, from time to time, apply such funds in accordance with Section 2.08.

## **ARTICLE VIII**

### **THE AGENT**

#### **Section 8.01. Authorization and Action.**

Each Purchaser and each Issuing Bank 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 and the other Transaction Documents and the other instruments and documents delivered pursuant hereto as are delegated to the Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto. The Agent agrees to give to each Purchaser and each Issuing Bank copies of each notice (including, without limitation, each report and financial statement received hereunder or under any other Transaction Document) given to the Agent by the Seller, the Servicer or an Originator pursuant to the terms of this Agreement or any other Transaction Document. The Agent further agrees that the Required Purchasers may compel the Agent to make any request that the Agent may but is not required to make hereunder.

#### **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 other Transaction Document or any other instrument or document delivered pursuant hereto (including, without limitation, the Agent's servicing, administering or collecting Pool Receivables as Servicer pursuant to Section 6.01), except for its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, except as otherwise agreed by the Agent and any Owner, the Agent: (i) may consult with legal counsel (including counsel for the Seller, the Servicer or any Originator), 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 (whether written or oral) made in or in connection with this Agreement or any other Transaction Document or any other instrument or document delivered pursuant hereto; (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 other Transaction Document or any other instrument or document delivered pursuant hereto on the part of the Seller or any Originator or to inspect the property (including the books and records) of the Seller or any Originator; (iv) shall not be responsible to any Owner for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Transaction Document or any other instrument or document furnished pursuant hereto, or the perfection, priority or value of any ownership interest or security interest created or purported to be created hereunder or under the Second Amended and Restated Receivables Sale Agreement; and (v) shall incur no liability under or in respect of this Agreement or any other Transaction Document or any other instrument or document delivered pursuant hereto by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) reasonably 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 any Capital Investment or any Receivable Interest owned by it, Citicorp shall have the same rights and powers under this Agreement as any other Purchaser and may exercise the same as though it were not the Agent. Citicorp and its Affiliates may generally engage in any kind of business with the Seller or any Originator or any Obligor, any of their respective Affiliates and any Person who may do business with or own securities of the Seller or any Originator or any Obligor or any of their respective Affiliates, all as if Citicorp were not the Agent and without any duty to account therefor to the Purchasers.

#### **Section 8.04. Purchase Decisions.**

Each Purchaser acknowledges that it has, independently and without reliance upon the Agent or any of its Affiliates or any other Purchaser and based on such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement and to purchase undivided ownership interests in Pool Receivables hereunder. Each Purchaser also acknowledges that it shall, independently and without reliance upon the Agent, any of its Affiliates or any other Purchaser 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.

#### **Section 8.05. Indemnification.**

The Purchasers agree to indemnify the Agent (to the extent not promptly reimbursed by the Seller), ratably according to the Receivable Interests then owned by them (or, if no Receivable Interest is at that time owned by them, ratably according to their respective 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 other Transaction Document or any other instrument or document furnished pursuant hereto or any action taken or omitted by the Agent under this Agreement or any other Transaction Document or any such instrument or document; provided that no Purchaser 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, the Purchasers agree to reimburse the Agent, ratably according to the Receivable Interests then owned by them (or, if no Receivable Interest is at that time owned by any of them, ratably according to their respective Commitments), promptly upon demand for any costs and expenses (including, without limitation, reasonable fees and disbursements of counsel) payable by the Seller to the Agent under Section 11.04, to the extent that the Agent is not promptly reimbursed for such costs and expenses by the Seller.

**Section 8.06. Posting of Approved Electronic Communications.**

(a) Subject to Section 11.05 and certain limited exceptions in respect of which the Company has delivered prior written notice to the Agent, each of the Purchasers, the Issuing Banks, the Servicer and the Seller agree, that the Agent may, but shall not be obligated to, make the Approved Electronic Communications available to the Purchasers and Issuing Banks by posting such Approved Electronic Communications on "*e-Disclosure*", the Agent's internet delivery system that is part of Fixed Income Direct, Global Fixed Income's primary web portal, or successor electronic platform chosen by the Agent to be its internet delivery system (the "*Approved Electronic Platform*").

(b) Although the primary web portal is secured with a dual firewall and a User ID/Password Authorization System and the Approved Electronic Platform is secured through a single-user-per-deal authorization method whereby each user may access the Approved Electronic Platform only on a deal-by-deal basis, each of the Purchasers, the Issuing Banks, the Servicer and the Seller acknowledges and agrees, that the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution. In consideration for the convenience and other benefits afforded by such distribution and for the other consideration provided hereunder, the receipt and sufficiency of which is hereby acknowledged, each of the Purchasers, the Issuing Banks, the Servicer and the Seller hereby approves, and the Servicer shall cause each other Originator to approve, distribution of the Approved Electronic Communications through the Approved Electronic Platform and understands and assumes the risks of such distribution.

(c) The Approved Electronic Communications and the Approved Electronic Platform are provided "*as is*" and "*as available*". None of the Agent or any of its Affiliates or any of their respective officers, directors, employees, agents, advisors or representatives (the "*Agent Affiliates*") warrant the accuracy, adequacy or completeness of the Approved Electronic Communications and the Approved Electronic Platform and each expressly disclaims liability for errors or omissions in the Approved Electronic Communications and the Approved Electronic Platform. No warranty of any kind, express, implied or statutory (including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects) is made by the Agent Affiliates in connection with the Approved Electronic Communications.

## ARTICLE IX

### ASSIGNMENT OF RECEIVABLE INTERESTS

#### Section 9.01. Purchaser's Assignment of Rights and Obligations.

(a) Each Purchaser may assign to any Eligible Assignee all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Receivable Interests owned by it); provided, however, that (i) each such assignment shall be a constant, and not a varying, percentage of such Purchaser's rights and obligations under this Agreement and the Receivable Interests owned by it, (ii) in the case of any assignment by any Purchaser that is not assigning pursuant thereto all of its right and obligations under this Agreement, (A) the amount of the Commitment (determined as of the date of the applicable Assignment and Acceptance) being assigned pursuant to each such assignment shall be at least \$5,000,000, or (B) the aggregate amount of all Commitments (determined as of the date of the applicable Assignments and Acceptances) being assigned by such Purchaser on such date to two or more Eligible Assignees that are Affiliates of each other shall be at least \$5,000,000, (iii) each such assignment shall be to an Eligible Assignee, (iv) 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 a processing and recording fee of \$3,500 and (v) the consent of the Agent and the Seller (which consent shall not be unreasonably withheld or delayed and shall not be required at all following an Event of Termination) shall first have been obtained. Upon such execution, delivery and acceptance, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be the later of (x) the date the Agent receives the executed Assignment and Acceptance and (y) the date of such Assignment and Acceptance, (1) the Assignee thereunder shall be a party hereto and shall have all the rights and obligations of a Purchaser hereunder and (2) the assigning Purchaser shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such assignment and acceptance, relinquish its rights and be released from its obligations under this Agreement.

(b) By executing and delivering an Assignment and Acceptance, the assigning Purchaser 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, the assigning Purchaser 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 other Transaction Document or any other instrument or document furnished pursuant hereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Transaction Document or any other instrument or document furnished pursuant hereto, or the perfection, priority or value of any ownership interest or security interest created or purported to be created hereunder or under the Second Amended and Restated Receivables Sale Agreement; (ii) the assigning Purchaser makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Seller or any Originator or the performance or observance by the Seller or any Originator of any of their respective obligations under this Agreement or any other Transaction Document or any other instrument or document furnished pursuant hereto; (iii) such Assignee confirms that it has received copies of this Agreement and the other Transaction Documents, together with such other documents and information as it has deemed appropriate to make its own analysis and decision to enter into such Assignment and Acceptance; (iv) such Assignee will, independently and without reliance upon the Agent, any of its Affiliates, the assigning Purchaser or any other Purchaser 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 and the other Transaction Documents and the other instruments and documents

furnished pursuant hereto; (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 and the other Transaction Documents and the other instruments and documents furnished pursuant hereto as are delegated to the Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; (vii) such Assignee appoints as its agent the Servicer from time to time designated pursuant to Section 6.01 to enforce its respective rights and interests in and under the Pool Receivables and the Related Security and Collections with respect thereto and the related Contracts; and (viii) such Assignee 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 Purchaser.

(c) The Agent shall maintain at its office referred to in Section 11.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register (the "Register") for the recordation of the names and addresses of the Purchasers and the Commitment of, and each Receivable Interest owned by, each Purchaser from time to time, which Register shall be available for inspection by the Seller at any reasonable time and from time to time upon reasonable prior notice. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Seller, the Servicer, the Purchasers and the Agent may treat each Person whose name is recorded in the Register as a Purchaser hereunder for all purposes of this Agreement. No Receivable Interest, Letter of Credit Obligation, Reimbursement Obligation, nor any Assignment and Acceptance, shall be effective unless it is entered in the Register in due course.

(d) Upon its receipt of an Assignment and Acceptance executed by any assigning Purchaser and an assignee representing that it is an Eligible Assignee, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit A hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register, and (iii) give prompt notice thereof to the Seller and the Servicer.

(e) Each Purchaser may sell participations to one or more Persons in or to all or a portion of its rights and obligations under the Transaction Documents (including all its rights and obligations with respect to Capital Investment and Letters of Credit). The terms of such participation shall not, in any event, require the participant's consent to any amendments, waivers or other modifications of any provision of any Transaction Documents, the consent to any departure by the Seller, the Servicer or any Originator therefrom, or to the exercising or refraining from exercising any powers or rights such Purchaser may have under or in respect of the Transaction Documents (including the right to enforce the obligations of the Seller, the Servicer or any Originator), except if any such amendment, waiver or other modification or consent would reduce the amount, or postpone any date fixed for, any amount (whether of Capital, Yield or fees) payable to such participant under the Transaction Documents, to which such participant would otherwise be entitled under such participation. In the event of the sale of any participation by any Purchaser, (w) such Purchaser's obligations under the Transaction Documents shall remain unchanged, (x) such Purchaser shall remain solely responsible to the other parties for the performance of such obligations, (y) such Purchaser shall remain the holder of such Capital for all purposes of this Agreement and (z) the Seller, the Agent and the other Purchasers shall continue to deal solely and directly with such Purchaser in connection with such Purchaser's rights and obligations under this Agreement. Each participant shall be entitled to the benefits of Sections 2.12(a), 2.13 and 2.14 as if it were a Purchaser; provided, however, that anything herein to the contrary notwithstanding, the Seller shall not, at any time, be obligated to make under Section 2.12(a), 2.13 or 2.14 to the participants in the rights and obligations of any Purchaser (together with such Purchaser) any payment in excess of the

amount the Seller would have been obligated to pay to such Purchaser in respect of such interest had such participation not been sold.

(f) Each Issuing Bank may at any time assign its rights and obligations hereunder to any other Purchaser by an instrument in form and substance satisfactory to the Seller, the Agent, such Issuing Bank and such Purchaser. If an Issuing Bank ceases to be a Purchaser hereunder by virtue of any assignment made pursuant to this Section 9.01, then, as of the effective date of such cessation, such Issuing Bank's obligations to Issue Letters of Credit pursuant to Section 2.4 shall terminate and such Issuing Bank shall be an Issuing Bank hereunder only with respect to outstanding Letters of Credit issued prior to such date.

## ARTICLE X INDEMNIFICATION

### Section 10.01. Indemnities.

Without limiting any other rights that any Indemnified Party may have hereunder or under applicable law, and whether or not any of the transactions contemplated hereby are consummated, the Seller hereby agrees to indemnify each Indemnified Party from and against, and hold each thereof harmless from, any and all claims, losses, liabilities, costs and expenses of any kind whatsoever (including, without limitation, reasonable attorneys' fees and expenses) (all of the foregoing being collectively referred to as "Indemnified Amounts") arising out of, or resulting from, in whole or in part, one or more of the following: (a) this Agreement or any other Transaction Document or any other agreement or document delivered or to be delivered in connection with this Agreement; (b) the use of proceeds of any Purchase or reinvestment; (c) the interest of any Owner in any Receivable, any Contract or any Related Security; or (d) any transaction contemplated by this Agreement or any other Transaction Document or any other agreement or document delivered or to be delivered in connection with this Agreement; excluding, however, Indemnified Amounts to the extent resulting from either (x) the gross negligence or willful misconduct on the part of such Indemnified Party, or (y) the failure to collect amounts in respect of a Pool Receivable, to the extent such failure results from a discharge of the Obligor with respect thereto in a proceeding in respect of such Obligor under applicable bankruptcy laws or otherwise results from the Obligor's financial inability to pay such amounts. Without limiting or being limited by the foregoing and whether or not any of the transactions contemplated hereby are consummated, the Seller shall pay on demand to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts which relate to or result from, or which would not have occurred but for, one or more of the following:

- (i) any Receivable becoming a Pool Receivable which is not at the date of the initial creation of an interest therein hereunder an Eligible Receivable;
- (ii) any representation or warranty or statement made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement or any other Transaction Document or any Seller Report or Receivables Report or other document delivered or to be delivered in connection herewith or with any other Transaction Document being incorrect in any material respect when made or deemed made or delivered;
- (iii) the failure by the Seller to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract or any Related Security with respect



thereto; or the failure of any Pool Receivable or the related Contract or any Related Security with respect thereto to conform to any such applicable law, rule or regulation;

(iv) the failure to vest in the Owner of a Receivable Interest a first priority perfected undivided percentage ownership interest, to the extent of such Receivable Interest, in each Receivable in, or purported to be in, the Receivables Pool and the Related Security and Collections in respect thereof, free and clear of any Adverse Claim; or the failure of the Seller to have obtained a first priority perfected ownership interest in the Pool Receivables and the Related Security and Collections with respect thereto transferred or purported to be transferred to the Seller under the Second Amended and Restated Receivables Sale Agreement, free and clear of any Adverse Claim;

(v) the failure of the Seller to have filed, or any delay by the Seller 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 Receivable in, or purported 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 unless such failure results directly and solely from the Agent's failure to take appropriate action;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of any Obligor to the payment of any Receivable in, or purported to be in, the Receivables Pool (including, without limitation, any defense based on the fact or allegation that such Receivable or the related Contract is not 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 goods or services related to such Receivable or the furnishing or failure to furnish such goods or services;

(vii) any failure of the Seller to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document or to perform its duties or obligations under any Contract;

(viii) any product liability, personal injury, copyright infringement, theft of services, property damage, or other breach of contract, antitrust, unfair trade practices or tortious claim arising out of or in connection with the subject matter of any Contract or out of or in connection with any transaction contemplated by this Agreement, any other Transaction Document or any other instrument or document furnished pursuant hereto or such Contract;

(ix) the commingling by the Seller of Collections of Pool Receivables at any time with other funds;

(x) any action or omission by the Seller, reducing or impairing the rights of any Owner of a Receivable Interest under this Agreement, any other Transaction Document or any other instrument or document furnished pursuant hereto or thereto or with respect to any Pool Receivable;

(xi) any cancellation or modification of a Pool Receivable, the related Contract or any Related Security, whether by written agreement, verbal agreement, acquiescence or otherwise;

(xii) any investigation, litigation or proceeding related to or arising from this Agreement, any other Transaction Document or any other instrument or document furnished

pursuant hereto or thereto, or any transaction contemplated by this Agreement or any Contract or the use of proceeds from any Purchase or reinvestment pursuant to this Agreement, or the ownership of, or other interest in, any Receivable, the related Contract or Related Security;

(xiii) the existence of any Adverse Claim against or with respect to any Pool Receivable, the related Contract or the Related Security or Collections with respect thereto;

(xiv) any failure by the Seller to pay when due any taxes, including without limitation sales, excise or personal property taxes, payable by the Seller in connection with any Receivable or the related Contract or any Related Security with respect thereto;

(xv) any claim brought by any Person other than an Indemnified Party arising from any activity of the Seller in servicing, administering or collecting any Pool Receivable;

(xvi) any failure by any Lock-Box Bank to comply with the terms of the Lock-Box Agreement to which it is a party; or

(xvii) to the extent not covered by the foregoing clauses, the occurrence and continuance of any Event of Termination other than an Event of Termination arising under Section 7.01(f).

## ARTICLE XI MISCELLANEOUS

### Section 11.01. Amendments, Etc.

No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Seller or the Servicer therefrom, shall be effective unless in a writing signed by the Agent and the Required Purchasers and, in the case of any such amendment, the Seller and the Servicer, 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) without the prior written consent of each Purchaser,

(i) amend the definitions of "Eligible Receivable", "Net Receivables Pool Balance", "Required Net Receivables Pool Balance", "Reserve Percentage", "Required Purchasers" or "Super-Majority Purchasers", or

(ii) amend, modify or waive any provision of this Agreement in any way which would

(A) reduce the amount of a Capital Investment or Yield that is payable on account of any Receivable Interest or Reimbursement Obligation or delay any scheduled date for payment thereof or change the order of application of Collections to the payment thereof, or

(B) impair any rights expressly granted to such Purchaser or such Owner under this Agreement, or

(C) reduce fees payable by the Seller to or for the account of such Purchaser hereunder or delay the dates on which such fees are payable, or

(iii) amend or waive the Event of Termination contained in Section 7.01(f) relating to the bankruptcy of the Seller, the Servicer, or any Originator, or amend or waive the Event of Termination contained in Section 7.01(g) relating to the Net Receivables Pool Balance, or

(iv) change the percentage of Commitments, or the number of Owners or Purchasers, which shall be required for the Purchasers or any of them to take any action hereunder, or

(v) amend this Section 11.01, or

(vi) extend the Commitment Termination Date, or

(vii) increase the amount of the Total Commitment;

(b) without the consent of the applicable Purchaser, increase the Commitment of such Purchaser, subject such Purchaser to any additional obligations, or decrease the Receivable Interest of such Purchaser; and

(c) without the prior written consent of the Super-Majority Purchasers, amend Section 5.07(b) or the definition of "Total Excess Availability" or "Receivables Excess Availability";

provided, however, that the Agent shall not, without the prior written consent of the Required Purchasers, either agree to any amendment or waiver of any provision of the Intercreditor Agreement or consent to any departure from the Intercreditor Agreement by any party thereto, and provided further, that (x) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Purchasers required above to take such action, affect the rights or duties of the Agent under this Agreement or the other Transaction Documents, (y) no amendment, waiver or consent shall, unless in writing and signed by the Swing Purchaser in addition to the Purchasers required above to take such action, affect the rights or duties of the Swing Purchaser under this Agreement or the other Transaction Documents and (z) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Banks in addition to the Purchasers required above to take such action, affect the rights or duties of the Issuing Banks under this Agreement or the other Transaction Documents.

(d) If, in connection with any proposed amendment, modification, waiver or termination (a "Proposed Change") requiring the consent of all affected Purchasers, the consent of Required Purchasers is obtained but the consent of other Purchasers whose consent is required is not obtained (any such Purchaser whose consent is not obtained as described in this being referred to as a "Non-Consenting Purchaser"), then, as long as the Purchaser acting as the Agent is not a Non-Consenting Purchaser, at the Seller's request, any Eligible Assignee acceptable to the Agent shall have the right with the Agent's consent and in the Agent's sole discretion (but shall have no obligation) to purchase from such Non-Consenting Purchaser, and such Non-Consenting Purchaser agrees that it shall, upon the Agent's request, sell and assign to the Purchaser acting as the Agent or such Eligible Assignee, all of the Commitments and interests in the Receivable Interests of such Non-Consenting Purchaser for an amount equal to the Capital Investment represented by the interest held by the Non-Consenting Purchaser in the Receivable Interests and all accrued and unpaid Yield and fees with respect thereto through the date of sale; provided, however, that such purchase and sale shall not be effective until (x) the Agent shall have received from such Eligible Assignee an agreement in form and substance satisfactory to the Agent and the Seller whereby such Eligible Assignee shall agree to be bound by the terms hereof, (y) such Non-

Consenting Purchaser shall have received payments of all interests held by it in the Receivable Interests and all accrued and unpaid Yield and fees with respect thereto through the date of the sale and (z) such purchase and sale has been recorded in the Register maintained by the Agent. Each Purchaser agrees that, if it becomes a Non-Consenting Purchaser, it shall execute and deliver to the Agent an Assignment and Acceptance to evidence such sale and purchase subject to such Assignment and Acceptance; and provided, further, however, that the failure of any Non-Consenting Purchaser to execute an Assignment and Acceptance shall not render such sale and purchase (and the corresponding assignment) invalid.

(e) No failure on the part of any Purchaser or the Agent 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. Without limiting the foregoing, each Purchaser is hereby authorized by the Seller upon the occurrence and during the continuance of an Event of Termination, to the fullest extent permitted by law, to setoff 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 Purchaser to or for the credit or the account of the Seller against any and all of the obligations of the Seller now or hereafter existing under this Agreement to such Purchaser or, if such Purchaser is Citicorp, to the Agent or any Affiliate thereof, irrespective of whether or not any formal demand shall have been made under this Agreement and although such obligations may be unmatured. Each Purchaser agrees promptly to notify the Seller after any such setoff and application; provided, however, that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Purchaser under this Section 11.01 are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Purchaser may have.

#### **Section 11.02. Notices, Etc.**

All notices and other communications hereunder shall, unless otherwise stated herein, be given in writing or by any telecommunication device capable of creating a written record (including electronic mail), (i) to each of the Seller, the Issuing Banks, the Servicer, the Agent and the Initial Purchasers, at its address set forth under its name on the signature pages hereof, (ii) to each Purchaser other than the Initial Purchasers, at its address specified on the Assignment and Acceptance pursuant to which it became a Purchaser hereunder or (iii) to any party hereto at such other address as shall be designated by such party in a notice to the other parties hereto given as provided herein. All such notices and communications shall be effective when received.

#### **Section 11.03. Binding Effect; Assignability.**

This Agreement shall be binding upon and inure to the benefit of the Seller, PolyOne, the Agent, the Issuing Banks, the Swing Purchaser and each Purchaser and their respective successors and assigns, except that neither the Seller nor PolyOne shall have the right to assign its rights or obligations hereunder or any interest herein without the prior written consent of all Purchasers. This Agreement shall create and constitute the continuing obligation of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time, after the Termination Date, as no Capital Investment or any obligation of the Seller, PolyOne, any Originator or the Servicer under any Transaction Document shall be outstanding; provided, however, that rights and remedies with respect to the provisions of Sections 2.12, 2.13, 2.14, 10.01, 11.04, 11.06, and 11.07 shall be continuing and shall survive any termination of this Agreement.

#### **Section 11.04. Costs and Expenses.**

The Seller agrees to pay, upon receipt of a written invoice, all costs and expenses in connection with the preparation, execution, delivery and administration (including periodic auditing of Receivables) of, and searches and filings in respect of, this Agreement, the other Transaction Documents and the other documents and agreements to be delivered hereunder and thereunder, including, without limitation, the reasonable fees and disbursements of (a) counsel for the Agent with respect thereto and advising the Agent as to its rights and remedies hereunder and (b) internal and external auditors. The Seller further agrees to pay on demand all costs and expenses, if any (including, without limitation, reasonable counsel fees and disbursements), of each Owner, the Agent or any Affiliate thereof, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the other Transaction Documents and the other documents and agreements to be delivered in connection herewith or therewith. Each written invoice shall set forth the basis therefor in reasonable detail and shall be conclusive and binding absent manifest error.

#### **Section 11.05. Confidentiality.**

(a) The Seller, the Servicer, PolyOne, the Purchasers and the Agent hereby agree that each of the Servicer, PolyOne, the Seller, the Purchasers and the Agent (and each of their respective, and their respective Affiliates, employees, officers, directors, agents and advisors) is, and has been from the commencement of discussions with respect to the receivables program established hereunder, permitted to disclose to any and all Persons, without limitation of any kind, the structure and tax aspects (as such terms are used in Code Sections 6011, 6111 and 6112 and the regulations promulgated thereunder) of the receivables program established hereunder, and all materials of any kind (including opinions or other tax analyses) that are or have been provided to the Servicer, PolyOne, the Seller, such Purchasers or the Agent related to such structure and tax aspects. In this regard, each of the Servicer, PolyOne, the Seller, the Purchasers and the Agent acknowledges and agrees that its disclosure of the structure or tax aspects of the receivables program established hereunder is not limited in any way by an express or implied understanding or agreement, oral or written (whether or not such understanding or agreement is legally binding). Furthermore, each of the Servicer, PolyOne, the Seller, the Purchasers and the Agent acknowledges and agrees that it does not know or have reason to know that its use or disclosure of information relating to the structure or tax aspects of the receivables program established hereunder is limited in any other manner (such as where the receivables program established hereunder is claimed to be proprietary or exclusive) for the benefit of any other Person. To the extent that disclosure of the structure or tax aspects of the receivables program established hereunder by the Servicer, PolyOne, the Seller, the Agent or the Purchasers is limited by any existing agreement between the Servicer, PolyOne, the Seller, the Agent or the Purchasers, such limitation is agreed to be void ab initio and such agreement is hereby amended to permit disclosure of the structure and tax aspects of the receivables program established hereunder as provided in this clause (a).

(b) Subject to clause (a) of this Section 11.05, neither the Agent nor any Purchaser may disclose to any Person any confidential, proprietary or non-public information of any Originator or the Seller furnished to the Agent or the Purchasers by either an Originator or the Seller (such information being referred to collectively herein as the "Originator's Information"), except that each of the Agent and each of the Purchasers may disclose Originator's Information (i) to its and its Affiliates' employees, officers, directors, agents and advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Originator's Information and instructed to keep such Originator's Information confidential on substantially the same terms as provided herein), (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) if reasonably

necessary in connection with the exercise of any remedies hereunder or under any other Transaction Document or any suit, action or proceeding relating to this Agreement or any other Transaction Document or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section 11.05 to any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement, (vii) to the extent such Originator's Information (A) is or becomes generally available to the public on a non-confidential basis other than as a result of a breach of this Section 11.05 by the Agent or such Purchaser, or (B) is or becomes available to the Agent or such Purchaser on a non-confidential basis from a source other than an Originator, the Servicer, PolyOne or the Seller, and (viii) with the prior written consent of the Servicer, PolyOne or the Seller.

(c) Subject to clause (a) of this Section 11.05, none of the Servicer, PolyOne or the Seller may disclose to any Person the amount or terms of any fees payable to the Agent or any Purchaser (such information being collectively referred to herein as the "Program Information"), except that the Servicer, PolyOne or the Seller may disclose the Program Information (i) to its and its respective Affiliates' employees, officers, directors, agents and advisors who have a need to know the Program Information in connection with this Agreement and the transactions contemplated hereby or (ii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process.

**Section 11.06. Governing Law.**

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

**Section 11.07. 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 any of the other Transaction Documents to which it is a party, 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 of the parties hereto hereby agrees that service of process in any such action or proceeding may be effected by mailing a summons and complaint to it at its address specified in Section 11.02 by registered mail, return receipt requested, or in any other manner permitted by applicable law. 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. 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 any of the other Transaction Documents in the courts of any other 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 action or proceeding arising out of or relating to this Agreement or any of the other Transaction Documents to which it is a party 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 11.08. Execution in Counterparts.**

This Agreement may be executed in any number of 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 by telecopier of an executed counterpart of a signature page to this Agreement shall be effective as delivery of an original executed counterpart of this Agreement.

**Section 11.09. Intent of the Parties.**

It is the intention of the parties hereto that each Purchase and reinvestment shall convey to each Owner, to the extent of its Receivable Interests, an undivided ownership interest in the Pool Receivables and the Related Security and Collections in respect thereof and that such transaction shall constitute a purchase and sale and not a secured loan for all purposes other than for federal income tax purposes. If, notwithstanding such intention, the conveyance of the Receivable Interests from the Seller to any Owner shall ever be recharacterized as a secured loan and not a sale, it is the intention of the parties hereto that this Agreement shall constitute a security agreement under applicable law, and the Seller hereby grants to the Agent for the benefit of itself, the Issuing Banks and each such Owner a duly perfected first priority security interest in all of the Seller's right, title and interest in, to and under the Pool Receivables and the Related Security and Collections in respect thereof, free and clear of Adverse Claims and Seller also hereby grants to the Agent for the benefit of itself, the Issuing Banks and each Owner a duly perfected first priority security interest in all of the Seller's right, title and interest in, to and under any cash collateral under this Agreement.

**Section 11.10. Entire Agreement.**

This Agreement and the other Transaction Documents contain a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, written or oral, relating to the subject matter hereof.

**Section 11.11. Severability of Provisions.**

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

**Section 11.12. No Liability of Syndication Agent.**

The Syndication Agent in its capacity as such shall not have any duties or responsibilities or shall incur any liability under this Agreement or any of the other Transaction Documents.

**Section 11.13. Waiver of Jury Trial.**

**Each of the parties hereto 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 any of the other Transaction Documents, the Purchases or the actions of the Agent or any Indemnified Party in the negotiation, administration, performance or enforcement hereof or thereof.**

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

POLYONE FUNDING CORPORATION,  
as Seller

By: \_\_\_\_\_

Name: John Rastetter

Title: President

Address: 33587 Walker Road  
Avon Lake, Ohio 44012

Attention: President

Telephone No.: (440) 930-3105

Telecopier No.: (440) 930-1839

e-mail: John.Rastetter@Polyone.com

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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POLYONE CORPORATION,  
as Servicer

By: \_\_\_\_\_

Name: John Rastetter

Title: Treasurer

Address: 33587 Walker Road  
Avon Lake, Ohio 44012

Attention: Treasurer

Telephone No.: (440) 930-3105

Telecopier No.: (440) 930-1839

e-mail: John.Rastetter@Polyone.com

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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ISSUING BANKS

CITIBANK, N.A.,  
as an Issuing Bank

By: \_\_\_\_\_

Name: David Jaffe

Title: Vice President/Director

Address: 388 Greenwich Street  
19th Floor  
New York, New York 10013

Attention: David Jaffe

Telephone (212) 816-2329

No.:

Telecopier No.: (212) 816-2613

e-mail: david.jaffe@citigroup.com

NATIONAL CITY BANK,  
as an Issuing Bank

By: \_\_\_\_\_

Name:

Title:

Address: 1965 East 6th Street  
Suite 400  
Cleveland, Ohio 44114

Attention:

Telephone No.:

Telecopier No.:

e-mail:

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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AGENT

CITICORP USA, INC.,  
as Agent

By: \_\_\_\_\_  
Name: David Jaffe  
Title: Vice President/Director

Address: 388 Greenwich Street  
19th Floor  
New York, New York 10013

Attention: David Jaffe

Telephone No.: (212) 816-2329  
Telecopier No.: (212) 816-2613  
e-mail: david.jaffe@citigroup.com

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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SYNDICATION AGENT

NATIONAL CITY BUSINESS CREDIT, INC.,  
as Syndication Agent

By: \_\_\_\_\_

Name:

Title:

Address: 1965 East 6th Street,  
Suite 400  
Cleveland, Ohio 44114

Attention:

Telephone No.: (216) 222-9918

Telecopier No.: (216) 222-9555

e-mail:

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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PURCHASERS:

CITICORP USA, INC.,  
as Agent

By: \_\_\_\_\_  
Name: David Jaffe  
Title: Vice President/Director

Address: 388 Greenwich Street  
19th Floor  
New York, New York 10013

Attention: David Jaffe

NATIONAL CITY BUSINESS CREDIT, INC.,  
as an Initial Purchaser

By: \_\_\_\_\_  
Name:  
Title:

Address: 1965 East 6th Street  
Suite 400  
Cleveland, Ohio 44114

Attention:

Telephone No.:  
Telecopier No.:  
e-mail:

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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WEBSTER BUSINESS CREDIT CORPORATION  
as an Initial Purchaser

By: \_\_\_\_\_  
Name:  
Title:

Address: One State Street  
New York, New York 10004

Attention:

Telephone No.:  
Telecopier No.:  
e-mail:

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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BANK OF AMERICA, N.A.,  
as an Initial Purchaser

By: \_\_\_\_\_

Name:

Title:

Address: 335 Madison Avenue  
New York , New York 10017

Attention:

Telephone No.:

Telecopier No.:

e-mail:

with a copy to:

Address: Bank of America, N. A.  
335 Madison Avenue  
New York, New York 10017

Attention:

Telephone No.:

Telecopier No.:

e-mail:

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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PNC BANK, N.A.,  
as an Initial Purchaser

By: \_\_\_\_\_

Name:

Title:

Address: 1600 Market Street  
31st Floor  
Philadelphia, Pennsylvania 19103

Attention:

Telephone No.:

Telecopier No.:

e-mail:

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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THE CIT GROUP/BUSINESS CREDIT, INC.,  
as an Initial Purchaser

By: \_\_\_\_\_

Name:

Title:

Address: 1211 Avenue of the Americas  
New York, New York 10036

Attention:

Telephone No.:

Telecopier No.:

e-mail:

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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U.S. BANK NATIONAL ASSOCIATION,  
as an Initial Purchaser

By: \_\_\_\_\_  
Name:  
Title:

Address: U.S. Bank Business Credit  
425 Walnut Street  
14th Floor  
CN-OH-W14S  
Cincinnati, Ohio 45202

Attention:

Telephone No.:  
Telecopier No.:  
e-mail:

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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MERRILL LYNCH CAPITAL,  
a division of Merrill Lynch Business  
Financial Services, Inc.  
as an Initial Purchaser

By: \_\_\_\_\_  
Name:  
Title:

Address: 225 Liberty Street  
5th Floor  
New York, New York 10281

Attention:

Telephone No.:  
Telecopier No.:  
e-mail:

[SECOND AND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT]

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## ASSIGNMENT AND ACCEPTANCE

Dated as of \_\_\_\_\_, 20

Reference is made to the Second Amended and Restated Receivables Purchase Agreement dated as of June , 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Second Amended and Restated Receivables Purchase Agreement"), among POLYONE FUNDING CORPORATION, a Delaware corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the servicer (the "Servicer"), the banks and other financial institutions listed on the signature pages of the Second Amended and Restated Receivables Purchase Agreement as purchasers, CITICORP USA, INC., a Delaware corporation, as administrative agent (the "Agent") for the Purchasers and the other Owners (each as defined in the Second Amended and Restated Receivables Purchase Agreement), CITIBANK, N.A. and NATIONAL CITY BANK, as issuing banks, and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation, as the syndication agent. Unless otherwise defined herein, terms defined in the Second Amended and Restated Receivables Purchase Agreement are used herein as therein defined.

\_\_\_\_\_ (the "Assignor") and \_\_\_\_\_ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, [all of] [an interest in] the Assignor's rights and obligations under the Second Amended and Restated Receivables Purchase Agreement equal to the amounts specified on *Section 1 of Schedule I* hereto. The Commitment and principal amount of the Capital Investments assigned to the Assignee are set forth in *Section 1* of such *Schedule I* and the Commitment and principal amount of the Capital Investments retained by the Assignor after giving effect to such sale and assignment are set forth in *Section 2* of such *Schedule I*.

3. The Assignor (i) represents and warrants that it is the legal and beneficial owner of [the interest in] the Receivable Interest[s] being assigned by it hereunder and that [such interest in] such Receivable Interest[s] are free and clear of any Adverse Claim created by it; (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 Second Amended and Restated Receivables Purchase Agreement or any other Transaction Document or any other instrument or document furnished pursuant thereto, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Second Amended and Restated Receivables Purchase Agreement or any other Transaction Document or any such other instrument or document furnished

pursuant thereto, or the perfection, priority or value of any ownership interest or security interest created or purported to be created under the Second Amended and Restated Receivables Purchase Agreement or under the Second Amended and Restated Receivables Sale Agreement; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Seller or any Originator or the Servicer or the performance or observance by the Seller or any Originator or the Servicer of any of its obligations under the Second Amended and Restated Receivables Purchase Agreement or any other Transaction Document or any other instrument or document furnished pursuant thereto.

4. The Assignee (i) confirms that it has received a copy of the Second Amended and Restated Receivables Purchase Agreement and the other Transaction Documents together with such other documents and information as it has deemed appropriate to make its own analysis and decision to enter into this Assignment and Acceptance and to purchase [the portion[s] of] such Receivable Interest[s] being purchased by it hereunder; (ii) agrees that it will, independently and without reliance upon the Agent, any of its Affiliates, the Assignor or any former 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 the Second Amended and Restated Receivables Purchase Agreement and the other Transaction Documents and the other instruments and documents furnished pursuant thereto; (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Second Amended and Restated Receivables Purchase Agreement and the other Transaction Documents and any other instrument or document furnished pursuant thereto as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (iv) appoints as its agent the Servicer from time to time designated pursuant to Section 6.01 of the Second Amended and Restated Receivables Purchase Agreement to enforce its respective rights and interests in and under the Pool Receivables and the Related Security and Collections with respect thereto and the related Contracts; (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Second Amended and Restated Receivables Purchase Agreement are required to be performed by it as a Purchaser; (vi) confirms that it is an Eligible Assignee under and as defined in the Second Amended and Restated Receivables Purchase Agreement; (vii) agrees that it will not institute against the assigning Purchaser or any other Purchaser any proceeding of the type referred to in Section 7.01(f) of the Second Amended and Restated Receivables Purchase Agreement as long as any promissory notes issued by such Purchaser shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such promissory notes shall have been outstanding; and (viii) specifies as its address and telecopier number for notices the office and telecopier number set forth beneath its name on the signature pages hereof.

5. Following the execution of this Assignment and Acceptance, the parties hereto shall promptly deliver such Assignment and Acceptance to the Agent for acceptance and recording by the Agent and to the Seller. The effective date for this Assignment and Acceptance shall be the later of (i) the date the Agent receives this Assignment and Acceptance executed by the parties hereto including the Consent to

Assignment attached hereto as Annex I executed by the Seller and Agent and (ii) the date of this Assignment and Acceptance (the "Effective Date").

6. Upon such acceptance and recording, as of the Effective Date, (i) the Assignee shall be a party to the Second Amended and Restated Receivables Purchase Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Purchaser 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 Second Amended and Restated Receivables Purchase Agreement.

7. Upon such acceptance and recording, from and after the Effective Date, the Agent shall make all payments under the Second Amended and Restated Receivables Purchase Agreement in respect of the interest assigned hereby (including, without limitation, all payments of Capital, Yield and fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Second Amended and Restated Receivables Purchase Agreement for periods prior to the Effective Date directly between themselves.

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

[NAME OF ASSIGNOR]

By: \_\_\_\_\_  
Name:  
Title:

[NAME OF ASSIGNEE]

By: \_\_\_\_\_  
Name:  
Title:

[Address, telephone number and telecopier number  
and e-mail address]

Attention: \_\_\_\_\_

Accepted this \_\_\_\_ day  
of \_\_\_\_\_, 20  
CITICORP USA, INC.,  
as Agent

By: \_\_\_\_\_  
Name:  
Title:

Accepted this \_\_\_\_ day  
of \_\_\_\_\_, 20

POLYONE FUNDING CORPORATION,  
as Seller

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE I  
TO  
ASSIGNMENT AND ACCEPTANCE**

**Section 1**

Percentage of aggregate Commitments assigned to Assignee: \_\_\_\_\_%

Aggregate Commitments assigned to Assignee: \$ \_\_\_\_\_

Aggregate Outstanding Principal Amount of Capital Investments Assigned to Assignee: \$ \_\_\_\_\_

**Section 2**

Percentage of aggregate Commitments retained by Assignor: \_\_\_\_\_%

Aggregate Commitment retained by Assignor: \$ \_\_\_\_\_

Aggregate Outstanding Principal Amount of Capital Investment retained by Assignor: \$ \_\_\_\_\_



**FORM OF  
SELLER REPORT**

Date: \_\_\_\_\_, 20

Reference is made to the Second Amended and Restated Receivables Purchase Agreement dated as of June , 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Agreement") among POLYONE FUNDING CORPORATION, a Delaware corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation, as the Servicer (as defined in the Agreement), the banks and other financial institutions listed on the signature pages thereof as the Purchasers, CITICORP USA, INC., a Delaware corporation, as administrative agent (the "Agent") for the Purchasers and the other Owners (as defined in the Agreement), CITIBANK, N.A. and NATIONAL CITY BANK, as issuing banks, and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation, as the syndication agent. Terms defined in the Agreement are used herein as therein defined.

The undersigned hereby certifies to the Agent that, as of the close of business on the date set forth above: (i) [s]he is the [title] of the Seller; (ii) the information contained in Exhibit A to this Seller Report is true and correct in all material respects; and (iii) the information contained in Exhibit A to this Seller Report does not contain any untrue statement of a material fact and does not omit to state, as of the date hereof and as of the date so furnished, a material fact necessary in order to make the statements contained herein, in light of the circumstances under which they are made, not misleading.

The undersigned hereby acknowledges that the Capital Investments by the Purchasers are based upon the Purchasers' reliance on the information contained herein and all representations and warranties with respect to Receivables in the Agreement and the other Transaction Documents are applicable to the Receivables included in this Certificate. The reliance by the Purchasers or the Agent on this Certificate shall not be deemed to limit the right of the Agent to establish or revise criteria of eligibility or reserves in accordance with the Agreement.

As of the date of this Seller Report, no Potential Event of Termination or Event of Termination exists or has occurred and is continuing.

POLYONE FUNDING CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

B-1-2

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**EXHIBIT A to  
SELLER'S REPORT**

Date: \_\_\_\_\_, 20\_\_

Number: [   ]

**Net Receivables Pool Balance**

1	Total Pool Receivables as of [date of prior report]	\$	_____
2	Less: Collections	—	_____
3	Less: Credits and Adjustments	—	_____
4	Add: Debits	+	_____
5	Add: New sales since date of prior Report	+	_____
6	Current total of all Pool Receivables as of _____, 20__	\$	_____
7	Net Receivables Pool Balance (Schedule 1)	\$	_____

**Reconciliation of Capital Investments<sup>1</sup>**

8	Principal amount of outstanding Capital Investments as of [date of prior report]	\$	_____
9	Less: Net cash Collections since [date of prior report]	—	_____
10	Add: Loans made since [date of prior report]	+	_____
11	Current principal amount of outstanding Loans	\$	_____
12	Open Letters of Credit	\$	_____
13	Unused Net Receivables Pool Balance (line 7 minus lines 11 and 12)	\$	_____

**Aging of Receivables**

	PolyOne		PEFI		Total	
Current	\$	_____	\$	_____	\$	_____
< 30 days past due	\$	_____	\$	_____	\$	_____
31—60 days past due	\$	_____	\$	_____	\$	_____
61—90 days past due	\$	_____	\$	_____	\$	_____
> 90 days past due	\$	_____	\$	_____	\$	_____
Pre-Season Deferred	\$	_____	\$	_____	\$	_____
Over/underpayments	\$	_____	\$	_____	\$	_____
Total	\$	_____	\$	_____	\$	_____

<sup>1</sup> Includes Purchases and Reimbursement Obligations.

**Schedule 1 to  
Seller Report**

**Net Receivables Pool Balance**  
**as of \_\_\_\_\_, 20**

1	Total Receivables as of [date of prior report]	\$	
2	> 60 days past due; or > 90 days from invoice date	\$	
3	> 120 days past invoice date for extended terms	—	
4	Terms >= 90 days	—	
5	Claims / disputes	—	
6	Subject to Adverse Claim	—	
7	Bill-and-hold invoices	—	
8	Progress billing	—	
9	Bankrupt customers (< 60 days past due portion)	—	
10	Customer deductions	—	
11	Credits in past due	—	
12	Cross-aged at 50%	—	
13	Credit balance reclass	—	
14	Credits applied to past dues	—	
15	Intercompany / Affiliates (< 60 days past due portion)	—	
16	Customer rebate reserve	—	
17	Excess concentration reserve	—	
18	Promissory note	—	
19	Contras	—	
20	Government Receivables	—	
21	Foreign receivables (ex permitted Canada) (< 60 days past due portion)	—	
22	Foreign currency	—	
23	Other reserves and reductions	—	
24	Total Ineligible	\$	
25	Net Eligible Receivables	\$	
26	Advance Rate (100% — Reserve Percentage)		× 85%
27	Net Receivables Pool Balance — Domestic	\$	

**FORM OF  
RECEIVABLES REPORT**

Date: \_\_\_\_\_, 20

Reference is made to the Second Amended and Restated Receivables Purchase Agreement dated as of June \_\_\_\_, 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Agreement") among POLYONE FUNDING CORPORATION, a Delaware corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation, as the Servicer (as defined in the Agreement), the banks and other financial institutions listed on the signature pages thereof as the Initial Purchasers, CITICORP USA, INC., a Delaware corporation, as administrative agent (the "Agent") for the Purchasers and the other Owners (each as defined in the Agreement), CITIBANK, N.A. and NATIONAL CITY BANK, as issuing banks, and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation, as the syndication agent. Terms defined in the Agreement are used herein as therein defined.

The undersigned hereby certifies to the Agent that, as of the close of business on the date set forth above: (i) [s]he is the [title] of the Seller; (ii) the information contained in Exhibit A to this Seller Report is true and correct in all material respects; and (iii) the information contained in Exhibit A to this Seller Report does not contain any untrue statement of a material fact and does not omit to state, as of the date hereof and as of the date so furnished, a material fact necessary in order to make the statements contained herein, in light of the circumstances under which they are made, not misleading.

The undersigned hereby acknowledges that the Capital Investments by the Purchasers are based upon the Purchasers' reliance on the information contained herein and all representations and warranties with respect to Receivables in the Agreement and the other Transaction Documents are applicable to the Receivables included in this Certificate. The reliance by the Purchasers or the Agent on this Certificate shall not be deemed to limit the right of the Agent to establish or revise criteria of eligibility or reserves in accordance with the Agreement.

As of the date of this Seller Report, no Potential Event of Termination or Event of Termination exists or has occurred and is continuing.

POLYONE CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

B-2-2

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**EXHIBIT A**  
**to**  
**RECEIVABLES REPORT**

Date: \_\_\_\_\_, 20\_\_

Number: [    ]

**Net Receivables Pool Balance**

1	Total Pool Receivables as of [date of prior report]	\$	_____
2	Less: Collections	—	_____
3	Less: Credits and Adjustments	—	_____
4	Add: Debits	+	_____
5	Add: New sales since date of prior Report	+	_____
6	Current total of all Pool Receivables as of _____, 20__	\$	_____
7	Net Receivables Pool Balance (Schedule 1)	\$	_____

**Reconciliation of Capital Investments<sup>1</sup>**

8	Principal amount of outstanding Capital Investments as of [date of prior report]	\$	_____
9	Less: Net cash Collections since [date of prior report]	—	_____
10	Add: Loans made since [date of prior report]	+	_____
11	Current principal amount of outstanding Loans	\$	_____
12	Open Letters of Credit	\$	_____
13	Unused Net Receivables Pool Balance (line 7 minus lines 11 and 12)	\$	_____

<sup>1</sup> Includes Purchases and Reimbursement Obligations.

**Schedule 1 to  
Receivables Report**

**Net Receivables Pool Balance  
as of \_\_, 20**

1 Total Receivables as of [date of prior report]	\$	
2 > 60 days past due; or > 90 days from invoice date	\$	
3 > 120 days past invoice date for extended terms	—	
4 Terms >= 90 days	—	
5 Claims / disputes	—	
6 Subject to Adverse Claim	—	
7 Bill-and-hold invoices	—	
8 Progress billing	—	
9 Bankrupt customers (< 60 days past due portion)	—	
10 Customer deductions	—	
11 Credits in past due	—	
12 Cross-aged at 50%	—	
13 Credit balance reclass	—	
14 Credits applied to past dues	—	
15 Intercompany / Affiliates (< 60 days past due portion)	—	
16 Customer rebate reserve	—	
17 Excess concentration reserve	—	
18 Promissory note	—	
19 Contras	—	
20 Government Receivables	—	
21 Foreign receivables (ex permitted Canada) (< 60 days past due portion)	—	
22 Foreign currency	—	
23 Other reserves and reductions	—	
24 Total Ineligible	\$	
25 Net Eligible Receivables	\$	
26 Advance Rate (100% — Reserve Percentage)	×	85%
27 Net Receivables Pool Balance – Domestic	\$	





## LOCKBOX ACCOUNT AGREEMENT

May 6, 2003

Mellon Bank, N.A. and Mellon Financial Services Corp. #1  
Document Control Manager  
Mellon Client Service Center  
500 Ross Street, Room 1380  
Pittsburgh, PA 15262

Gentlemen/Ladies:

1. Reference is made to the lockboxes identified on Schedule I hereto (the "Lockboxes") and account number 078-6808 (the "Lockbox Account") maintained in the name of Polyone Corporation (the "Company") which serves as the depository account for the Lockboxes. Mellon Bank, N.A. ("Mellon Bank") hereby confirms its agreement to perform the depository services with respect to the Lockbox Account in accordance with the Mellon Global Cash Management Terms and Conditions dated October 1, 1994 ("Mellon T&C"). Mellon Financial Services Corporation #1 ("MFSC #1") agrees to provide the remittance processing services for the Lockboxes in accordance with the Mellon Financial Services Corporation #1 Global Cash Management Terms and Conditions for Lockbox Services dated April 1, 1994 ("MFSC #1 T&C"). Mellon Bank and MFSC #1 are collectively referred to herein as "you" or "Mellon". The Mellon T&C and the MFSC #1 T&C are collectively referred to herein as the "Terms and Conditions".

2. Pursuant to the Receivables Sale Agreement dated as of May 6, 2003 (as it may from time to time be amended, supplemented or otherwise modified, the "Sale Agreement"), among Polyone Corporation, an Ohio corporation ("PolyOne"), Polyone Engineered Films, Inc., a Virginia corporation ("PEFI"), Polyone Funding Corporation, a Delaware corporation ("PFC"), and PolyOne, as PFC's servicer, the Company has transferred to Citicorp USA, Inc., as agent (the "Agent") for the purchasers and the issuing banks from time to time party to the Receivables Purchase Agreement dated as of May 6, 2003 among PFC, as seller, Polyone, as PFC's servicer, the banks and other financial institutions listed on the signature pages hereof as the initial purchasers or issuing bank, the Agent, and National City Commercial Finance, Inc., as the syndication agent (as amended, supplemented or otherwise modified from time to time, the "Purchase Agreement"), all of its right, title and interest in and to, and exclusive ownership and control of, the Lockboxes and the Lockbox Accounts to the Agent. The Company and the Agent hereby request that the name of the Lockbox Accounts be changed to: "PolyOne Corporation, Citicorp USA, Inc., as Agent".

3. Mellon Bank agrees that it is a "bank" within the meaning of Section 9-102 of the Uniform Commercial Code as in effect in the Commonwealth of Pennsylvania (the "UCC") and that for the purpose of Article 9 of the UCC, its jurisdiction is the Commonwealth of Pennsylvania. Each party hereto agrees that the Lockbox Accounts constitute "deposit accounts" within the meaning of Section 9-102 of the UCC, and that this letter agreement constitutes an "authenticated record" for purposes of Section 9-104 (and similar related provisions) of the UCC, and the Company hereby grants to and confers

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upon the Agent "control" of the Lockboxes and the Lockbox Accounts as contemplated in Section 9-104 (and similar related provisions) of the UCC.

4. The Agent and the Company hereby irrevocably instruct you, and you hereby agree that (i) Citicorp USA, Inc. will have exclusive ownership and control of and access to the Lockboxes and the Lockbox Accounts, and neither the Company nor any of its respective affiliates will have any control of the Lockboxes or the Lockbox Accounts or any access thereto, (ii) you will transfer in accordance with the Agent's directions available funds on deposit in the Lockbox Accounts in accordance with paragraph 5 hereof, (iii) all services to be performed by you under the Terms and Conditions will be performed on behalf of the Agent, and (iv) all correspondence or other mail which you have agreed to send to the Company will be sent to the Agent at the following address:

Citicorp USA, Inc.  
388 Greenwich Street, 19th Floor  
New York, New York 10013  
Attention: David Jaffe  
Telecopier No.: (212) 816-2613

5. On each business day on which the balance of available funds in the Lockbox Accounts exceeds \$2,000, no later than 11:00 a.m. (New York time), you will transfer (by wire transfer or other method of transfer mutually acceptable to you and the Agent) to the Agent, in same days funds, the entire balance of available funds in the Lockbox Accounts to the following account:

ABA Number: 021000089  
Bank: Citibank, N.A.  
399 Park Avenue  
New York, New York 10043  
Account Name: CITICORP f/a/o PolyOne Concentration Account  
Account Number: 30537802  
Reference: Hien Nugent  
Owner of Acct: Citicorp USA, Inc.

or to such other account as the Agent may from time to time designate in writing.

6.

(a) The Agent will have all rights and remedies given to the Company under the Terms and Conditions. You may debit the Lockbox Account for all ordinary and reasonable service charges charged by you in providing customary services to the extent such charges relate solely to the Lockbox Accounts, including without limitation, overdraft charges, and do not include penalties of any kind (the "Fees"). If you are unable to obtain sufficient funds from the Lockbox Account to cover the Fees, the Company and the Agent, jointly and severally, shall indemnify you for such Fees; provided, however, that Agent's obligation is contingent upon (a) you having charged the Lockbox Accounts in accordance with your customary practices, (b) the Company's refusal or inability to pay you within three (3) business days after written request has been made by you to the Company for the payment of such Fees. Notwithstanding the foregoing, if, within one hundred twenty (120) days of the incurrence of any such Fee, you have not provided notice of your demand for payment under this paragraph 6 to the Agent, your sole remedy will be to seek indemnification from the Company for such Fee.

(b) You will maintain a record of all returned checks, all checks and other remittance items received in the Lockbox Accounts and will provide photostatic copies of such checks and other remittance items, as well as returned checks, on a daily basis and furnish a monthly statement of the Lockbox Account to the Agent at the address set forth for notices hereunder, with a copy to the Company.

7. You hereby acknowledge that monies deposited in the Lockbox Accounts are subject to the liens of the Agent, and will not be subject to deduction, set-off, banker's lien or any other right you or any other party may have against the Company; however, the Company and the Agent agree that you may debit the Lockbox Accounts for Fees arising in respect of the Lockbox Accounts as set forth in paragraph 6(a) hereof and for any items (including, but not limited to, checks, drafts, Automatic Clearinghouse (ACH) credits or wire transfers or other electronic transfers or credits) deposited or credited to the Lockbox Accounts which may be returned or otherwise not collected and for all charges, fees, commissions and expenses incurred by you arising in respect of the Lockbox Accounts in connection herewith (the "Returned Items"); you may charge the Lockbox Accounts as permitted herein at such times as are in accordance with your customary practices for the Returned Items. In the event you are unable to obtain sufficient funds from the Lockbox Accounts to cover Returned Items, the Company and the Agent shall indemnify you for all amounts related to the above described costs incurred by you; provided, however, that the Agent's obligation is contingent upon (i) Company's refusal or inability to pay you within three (3) business days of demand, (ii) you having charged the Lockbox Accounts in accordance with your customary practices for Returned Items, and (iii) the proceeds of such Returned Items have been previously transferred to Agent under this Agreement. Notwithstanding the foregoing, if, within one hundred twenty (120) days of the incurrence of any such Returned Item, you have not provided to the Agent notice of your demand for payment under this paragraph 7, (including copies of the returned checks, checks and other remittance items received in the Lockbox and monthly statements to the Company and the Agent), your sole remedy will be to seek indemnification from the Company for such Returned Item. For purposes of paragraph 6 and this paragraph 7, Mellon's notice to Agent of demand for payment shall be by telephone, to be followed by e-mail or other written means within five (5) business days. You acknowledge and agree that you are not authorized to, and you shall not, charge to the Lockbox Accounts any amount other than Returned Items and Fees owing by PolyOne Corporation, in each case arising in respect of the Lockbox Accounts.

8. Notwithstanding any other provision of this Agreement, unless you are grossly negligent or engage in willful misconduct in performance or non-performance in connection with this Agreement, the Company agrees to indemnify and hold you harmless from any claims, damages, losses or expenses incurred by any party in connection herewith. In the event you breach the standard of care set forth herein, the Company and the Agent expressly agree that your liability shall be limited to damages directly caused by such breach and in no event shall you be liable for any incidental, indirect, punitive or consequential damages or attorney fees whatsoever.

9. Notwithstanding any other provision of this Agreement, you shall not be liable for any failure, inability to perform, or delay in performance hereunder, if such failure, inability, or delay is due to acts of God, war, civil commotion, governmental action, fire, explosion, strikes, other industrial disturbances, equipment malfunction, action, non-action or delayed action on the part of the Company or the Agent or any other entity or any other events or circumstances that are beyond your reasonable control and foresight.

10. This Agreement may not be modified or terminated by the Company unless the prior written consent of you and the Agent are obtained. You may terminate this Agreement (i) immediately for cause; or (ii) upon thirty (30) days' prior written notice to the Company and the Agent. Upon termination by

you, you will (x) transfer all available funds in the Lockbox Accounts a directed by the Agent, (y) close the Lockbox Accounts and Lockboxes and (z) forward all mail received in the Lockboxes as directed by the Agent for ninety (90) days after termination of this Agreement. The Agent may terminate this Agreement (i) immediately upon payment in full of the Company's obligations to the Agent; (ii) immediately for cause; or (iii) upon thirty (30) days' prior written notice to you. All obligations under this Agreement to indemnify, hold harmless and pay amounts owed shall survive termination of this Agreement provided that all such obligations of the Agent shall not survive beyond period of one hundred twenty (120) days following the termination hereof.

11. The Terms and Conditions currently in place between you and the Company are made part of this Agreement with respect to matters not explicitly covered in this Agreement. To the extent there is a conflict between this Agreement and the Terms and Conditions, this Agreement shall take precedence.

12. THIS LETTER AGREEMENT SHALL BE INTERPRETED, AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED, IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA. This Agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

13. This Agreement contains the entire agreement among the parties, and may not be altered, modified or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by all parties hereto of a written instrument so providing. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this Agreement or to preserve and protect the rights of each hereunder.

14. Any notice permitted or required hereunder shall be in writing and shall be deemed to have been duly given if sent by personal delivery, express or first class mail, or facsimile addressed:

in the case of notice to Mellon Bank to:

Mellon Bank, N.A. and Mellon Financial Services Corp. #1  
Document Control Manager  
Mellon Client Service Center  
500 Ross Street, Room 1380  
Pittsburgh, Pennsylvania 15262  
Phone: (412) 234-4172  
Fax: (412) 236-7419

and in the case of notice to the Company to:

PolyOne Corporation  
33587 Walker Road  
Avon Lake, Ohio 44012  
Attention: Treasurer  
Phone: (216) 589-4291  
Fax: (216) 589-4280

and in the case of notice to the Agent to:

Citicorp USA, Inc.  
388 Greenwich Street, 19th Floor

New York, New York 10013  
Attention: David Jaffe  
Phone: (212) 816-2329  
Fax: (212) 816-2613

[signature page follows]

Please indicate your agreement to the terms of this Agreement by signing in the space provided below. This Agreement will become effective immediately upon execution of a counterpart of this Agreement by all parties hereto.

Very truly yours,

POLYONE CORPORATION

By: /s/ John Rastetter

Name: John Rastetter

Title: Treasurer

MELLON BANK N.A.

By: /s/ Thomas M. Horgan

Name: Thomas M. Horgan

Title: Vice President

MELLON FINANCIAL SERVICES CORP. #1

By: /s/ Thomas M. Horgan

Name: Thomas M. Horgan

Title: Vice President

CITICORP USA, INC.,

as Agent

By: /s/ David Jaffe

Name: David Jaffe

Title: Vice President

[LOCK-BOX AGREEMENT]

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**SCHEDULE 1  
LOCKBOXES**

1. 01489
  2. 10602
  3. 14046
-



**SECOND MODIFICATION  
TO  
LOCKBOX ACCOUNT AGREEMENT**

December 31, 2005

Mellon Bank, N.A. and Mellon Financial Services Corp. #1  
Document Control Manager  
Mellon Client Service Center  
500 Ross Street, Room 1380  
Pittsburgh, PA 15262

Gentlemen/Ladies:

1. Reference is made to the Lockbox Account Agreement, dated May 6, 2003 (as amended by that certain Amendment No. 1 to Lockbox Account Agreement dated as of March 9, 2004, and as modified by that certain Modification to Lockbox Account Agreement dated as of August 4, 2005, and as further amended, supplemented or otherwise modified from time to time, the "**Lockbox Account Agreement**"), among PolyOne Corporation, Mellon Bank N.A., Mellon Financial Services Corp. #1 and Citicorp USA, Inc., as Agent (in such capacity, the "**Agent**").

2. The Agent hereby notifies you that, as of the date of this letter, (i) the Agent's right, title and interest in and to Lockbox Account Number 000-1564 and Lockbox Numbers 10602 and 10695 (collectively, the "**Released Lockbox Assets**") have terminated and (ii) the Agent has relinquished its exclusive ownership and control of the Released Lockbox Assets. In connection therewith, from and after the date hereof, the Agent hereby acknowledges and agrees that you are no longer required to comply with the instructions or directions of the Agent solely to the extent delivered with respect to the Released Lockbox Assets, including, without limitation, the directions set forth in paragraph 5 of the Lockbox Account Agreement solely to the extent that such directions relate to the Released Lockbox Assets.

3. This letter agreement (this "**Letter Agreement**") will confirm that, effective as of the date hereof, all references in the Lockbox Account Agreement to "Lockbox Account" shall mean each of the following accounts and all references in the Lockbox Account Agreement to "Lockboxes" shall mean the lockbox(es) listed below with respect to each such Lockbox Account:

<b>Account Number</b>	<b>Account Name</b>	<b>Lockbox(es)</b>
078-6808	PolyOne Corporation, Citicorp USA, Inc. as Agent	10489

4. Except as modified above, all terms of the Lockbox Account Agreement shall remain in full force and effect.

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5. THIS MODIFICATION TO LETTER AGREEMENT SHALL BE INTERPRETED, AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED, IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA. This Letter Agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

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This Letter Agreement, together with the Lockbox Account Agreement, contains the entire agreement among the parties, and may not be altered, modified or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by all parties hereto of a written instrument so providing. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this Letter Agreement as amended hereby or to preserve and protect the rights of each hereunder.

Please indicate your acceptance of the terms of this Letter Agreement by signing in the space provided below. This Letter Agreement will become effective immediately upon execution of a counterpart of this Letter Agreement by all parties hereto.

Very truly yours,

CITICORP USA, INC., as Agent

By: \_\_\_\_\_  
Name: David Jaffe  
Title: Vice President and Director

**ACCEPTED AND AGREED:**

POLYONE CORPORATION

By: \_\_\_\_\_  
Name: John L. Rastetter  
Title: Treasurer

MELLON BANK N.A.

By: \_\_\_\_\_  
Name:  
Title:

MELLON FINANCIAL SERVICES CORP. #1

By: \_\_\_\_\_  
Name:  
Title:

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**AMENDMENT No. 1**  
**TO**  
**LOCKBOX ACCOUNT AGREEMENT**

Mellon Bank, N.A. and Mellon Financial Services Corp. #1  
Document Control Manager  
Mellon Client Service Center  
500 Ross Street, Room 1380  
Pittsburgh, PA 15262

Gentlemen/Ladies:

1. Reference is made to the Lockbox Account Agreement dated May 6, 2003 among PolyOne Corporation , Mellon Bank N.A., Mellon Financial Services Corp. #1 and Citicorp USA, Inc. as Agent (the "Letter Agreement").
2. This letter will confirm that, effective as of the date of this letter:

A. All references in the Letter Agreement to "Lockbox Account" shall mean each of the following accounts and all references in the Letter Agreement to "Lockboxes" shall mean the lockbox(es) listed below with respect to each such Lockbox Account:

<b>Account Number</b>	<b>Account Name</b>	<b>Lockbox(es)</b>
078-6808	PolyOne Corporation, Citicorp USA, Inc. as Agent	10489 10602 14046
000-1599	PolyOne Corporation, Citicorp USA, Inc. as Agent (Elastomers)	14151
000-1564	PolyOne Corporation, Citicorp USA, Inc. as Agent (Specialty Resins)	10695

B. Schedule 1 to the Letter Agreement is hereby deleted.

C. Except as modified above, all terms of the Letter Agreement shall remain in full force and effect.

3. THIS AMENDMENT TO LETTER AGREEMENT SHALL BE INTERPRETED, AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED, IN ACCORDANCE WITH

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THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA. This Agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

4. This Amendment No. 1, together with the Letter Agreement contains the entire agreement among the parties, and may not be altered, modified or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by all parties hereto of a written instrument so providing. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this Agreement as amended hereby or to preserve and protect the rights of each hereunder.

Please indicate your agreement to the terms of this Agreement by signing in the space provided below. This Agreement will become effective immediately upon execution of a counterpart of this Agreement by all parties hereto.

Very truly yours,

POLYONE CORPORATION

By: \_\_\_\_\_  
Name:  
Title: MELLON BANK N.A.

By: \_\_\_\_\_  
Name:  
Title:

MELLON FINANCIAL SERVICES CORP. #1

By: \_\_\_\_\_  
Name:  
Title:

CITICORP USA, INC.,  
as Agent

By: \_\_\_\_\_  
Name:  
Title:

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**FORM OF  
SECOND AMENDED AND RESTATED RECEIVABLES SALE AGREEMENT**

See attached Exhibit 10.2.

**FORM OF  
SECOND AMENDED AND RESTATED CONSENT AND AGREEMENT**

See attached.

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## SECOND AMENDED AND RESTATED

## CONSENT AND AGREEMENT

Dated: June \_\_\_\_\_, 2007

PolyOne Corporation  
33587 Walker Road  
Avon Lake, Ohio 44012

Attention: Treasurer

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Receivables Sale Agreement, dated as of the date hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Second Amended and Restated Receivables Sale Agreement"), among PolyOne Corporation ("PolyOne" the "Seller" or "you"), PolyOne Funding Corporation (together with its successors and assigns, the "Buyer" or "us") and PolyOne, as the Buyer's Servicer. Capitalized terms used in this Second Amended and Restated Consent and Agreement (this "Agreement") but not otherwise defined herein shall have the meanings ascribed to such terms in the Second Amended and Restated Receivables Sale Agreement.

We hereby notify you that we have sold and assigned to Citicorp USA, Inc., as administrative agent (together with its successors and assigns from time to time, the "Agent") for the benefit of itself and the other Purchasers, and their respective affiliates, assigns and participants from time to time (collectively the "Owners"), and each other Indemnified Party from time to time, all of our right, title and interest in and to the following (collectively the "Assigned Rights"):

(a) the Second Amended and Restated Receivables Sale Agreement, including, without limitation:

- (i) all rights to receive moneys due and to become due under or pursuant to the Second Amended and Restated Receivables Sale Agreement;
  - (ii) all rights to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Second Amended and Restated Receivables Sale Agreement;
  - (iii) claims for damages arising out of or for breach of or default under the Second Amended and Restated Receivables Sale Agreement; and
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(iv) the right to perform under the Second Amended and Restated Receivables Sale Agreement and to compel performance and otherwise exercise all remedies thereunder; and

(b) all proceeds of any and all of the foregoing Assigned Rights (including, without limitation, proceeds which constitute property of the types described in clause (a) above).

In connection with the sale and assignment described above, we hereby irrevocably instruct the Seller, and by the Seller's execution in the space provided on the last page hereof the Seller hereby agrees for the benefit of the Agent, the Owners and the Indemnified Parties as follows:

(1) The Seller shall make all payments to be made by it to the Buyer under or in connection with the Second Amended and Restated Receivables Sale Agreement directly to the Agent by payment to the account (account number 30537802, ABA 021000089, Reference: CUSA f/a/o PolyOne Concentration) of the Agent maintained at the office of Citibank, N.A. at 399 Park Avenue, New York, New York 10043, Attention: Hien Nugent, or otherwise in accordance with the instructions of the Agent.

(2) All payments to be made by the Seller to the Buyer under or in connection with the Second Amended and Restated Receivables Sale Agreement shall be made by the Seller irrespective of, and without deduction for, any counterclaim, defense, recoupment or set-off (including, without limitation, any counterclaim, defense, recoupment or set-off under or otherwise in respect of the Second Amended and Restated Subordinated Notes), and shall be final, and the Seller will not seek to recover from the Agent, any Owner or any Indemnified Party for any reason any such payment once made.

(3) The Agent shall be entitled, as and to the extent agreed among the Buyer, the Owners and the Agent, to exercise any and all of the Seller's rights and remedies as the Buyer under the Second Amended and Restated Receivables Sale Agreement, including, without limitation, the Seller's right to make requests, demands for payment and other demands, determinations and designations, to amend, supplement or modify, to give consents or waivers, and to deliver notices to the Seller, and to receive notices, requests, reports and other information to be delivered by the Seller, from time to time thereunder; and the Seller shall in all respects comply with and perform in respect of such exercise. Neither the Agent nor any Owner nor any Indemnified Party shall have any obligation or liability with respect to any of the Seller's obligations under the Second Amended and Restated Receivables Sale Agreement in the absence of its gross negligence or willful misconduct.

(4) The Agent shall be authorized to file, at any time and from time to time, one or more financing statement amendments that assign the financing statements that are referred to in Section 2.01(c) of the Second Amended and

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Restated Receivables Sale Agreement or that otherwise cover the Second Receivable Assets to the Agent.

In order to induce the Owners to purchase interests from time to time in Pool Receivables, by execution of this Agreement, the Seller hereby acknowledges and agrees:

On the date hereof, the Seller hereby reaffirms for the benefit of the Agent, the Owners and the Indemnified Parties the representations and warranties made by it in Section 3.01 of the Second Amended and Restated Receivables Sale Agreement.

(ii) The Second Amended and Restated Receivables Sale Agreement is (A) the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, in each case except as may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity, and (B) in full force and effect, and is not subject to any dispute, offset, counterclaim or defense whatsoever.

(iii) The Seller will, at its expense, (A) timely and fully perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under the Second Amended and Restated Receivables Sale Agreement, (B) maintain the Second Amended and Restated Receivables Sale Agreement in full force and effect, (C) enforce the Second Amended and Restated Receivables Sale Agreement in accordance with its terms, (D) take all such action to such end as may be from time to time reasonably requested by the Agent, and (E) make to any party to the Second Amended and Restated Receivables Sale Agreement such demands and requests for information and reports or for action as it is entitled to make thereunder and as may be from time to time reasonably requested by the Agent.

(iv) The Seller will promptly and in any event within one (1) Business Day after its delivery or receipt thereof, deliver to the Agent copies of all financial statements, reports, notices, statements and other documents and information delivered or received by the Seller from time to time under or in connection with the Second Amended and Restated Receivables Sale Agreement.

(v) The Seller will not (A) cancel or terminate the Second Amended and Restated Receivables Sale Agreement or consent to or accept any cancellation or termination thereof, (B) amend or otherwise modify any term or condition of the Amended and Restated Receivables Sale Agreement or give any consent, waiver or approval thereunder, (C) waive any material default under or material breach of the Second

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Amended and Restated Receivables Sale Agreement or (D) take any other action under the Second Amended and Restated Receivables Sale Agreement not required by the terms thereof, in each case, that would impair the value of any Receivables or the rights or interests of the Buyer thereunder or the rights or interests of the Agent, the Owners or the Indemnified Parties hereunder or thereunder.

In order to induce the Owners to purchase interests from time to time in Pool Receivables, by execution of this Agreement, PolyOne hereby further acknowledges and agrees to cause the Buyer to take or refrain from taking, as applicable, any of the actions set forth in clauses (i) through (v) immediately above with respect to the Second Amended and Restated Receivables Sale Agreement.

Upon your execution in the space provided below, this Second Amended and Restated Consent and Agreement shall be binding upon you and your respective successors, and shall inure to the benefit of the Agent, the Owners and the Indemnified Parties and their respective successors, transferees and assigns from time to time. This Second Amended and Restated Consent and Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

[Remainder of page intentionally left blank.]

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Please consent to the sale and assignment described in the first paragraph hereof, and agree to the provisions of this Second Amended and Restated Consent and Agreement, by signing in the space provided below on two of the enclosed copies hereof and sending both signed copies to the Agent at its address at 388 Greenwich Street, 19th Floor, New York, New York 10013, Attention: David Jaffe.

Very truly yours,

POLYONE FUNDING CORPORATION,  
as Buyer

By: \_\_\_\_\_  
Name:  
Title:

Each of the undersigned consents to the sale and assignment described above and agrees to the above provisions as of the date first above written:

POLYONE CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

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FORM OF  
NOTICE OF PURCHASE

Dated as of \_\_\_\_\_, 20

Citicorp USA, Inc.,  
as Agent  
388 Greenwich Street, 19th Floor  
New York, New York 10013  
Attention: David Jaffe

Re: PolyOne Funding Corporation

Ladies and Gentlemen:

The undersigned, POLYONE FUNDING CORPORATION, refers to the Amended and Restated Receivables Purchase Agreement dated as of June , 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Second Amended and Restated Receivables Purchase Agreement") among POLYONE FUNDING CORPORATION, as the Seller (the "Seller"), POLYONE CORPORATION, as the Servicer, the banks and other financial institutions party thereto as Purchasers thereunder and CITICORP USA, INC., as administrative agent (the "Agent") for the Purchasers and the other Owners. Unless otherwise defined herein, terms defined in the Second Amended and Restated Receivables Purchase Agreement are used herein as therein defined.

The Seller hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Second Amended and Restated Receivables Purchase Agreement that the Seller hereby requests a Purchase of Receivable Interests under the Second Amended and Restated Receivables Purchase Agreement, and in that connection sets forth below the information relating to such Purchase of Receivable Interests (the "Proposed Purchase") as required by Section 2.02(a) of the Second Amended and Restated Receivables Purchase Agreement:

- (i) The requested aggregate amount of such Proposed Purchase is \$ \_\_\_\_\_.
- (ii) The requested Business Day of such Proposed Purchase is \_\_, 20\_\_.
- (iii) The Proposed Purchase shall initially bear Yield based on the Citicorp [LIBO Rate][Base Rate].

The undersigned Seller hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Purchase, before and

after giving effect to the Proposed Purchase and to the application of the proceeds therefrom:

(A) The representations and warranties contained in Article IV of the Second Amended and Restated Receivables Purchase Agreement and in Article III of the Second Amended and Restated Receivables Sale Agreement are correct in all material respects on and as of the date hereof, as though made on and as of the date hereof, other than any such representations and warranties that, by their terms, refer to a specific date other than the date hereof, in which case such representations and warranties shall have been true and correct as of such date.

(B) No event has occurred and is continuing, or would result from the Proposed Purchase or the application of the proceeds therefrom, which constitutes an Event of Termination or a Potential Event of Termination.

Delivery of an executed counterpart of this Notice of Purchase by telecopier shall be effective as delivery of an original executed counterpart of this Notice of Purchase.

Very truly yours,

POLYONE FUNDING CORPORATION,  
as Seller

By: \_\_\_\_\_  
Name:  
Title:

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FORM OF  
SWING PURCHASE REQUEST

Dated as of \_\_\_\_\_, 20

Citicorp USA, Inc.,  
as Agent  
388 Greenwich Street, 19th Floor  
New York, New York 10013  
Attention: David Jaffe

Re: PolyOne Funding Corporation

Ladies and Gentlemen:

Reference is made to the Second Amended and Restated Receivables Purchase Agreement dated as of June , 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Second Amended and Restated Receivables Purchase Agreement") among POLYONE FUNDING CORPORATION, as the Seller (the "Seller"), POLYONE CORPORATION, as the Servicer, the banks and other financial institutions party thereto as Purchasers thereunder and CITICORP USA, INC., as administrative agent (the "Agent") for the Purchasers and the other Owners. Unless otherwise defined herein, terms defined in the Second Amended and Restated Receivables Purchase Agreement are used herein as therein defined.

The Seller hereby gives you notice, irrevocably, pursuant to Section 2.03 of the Second Amended and Restated Receivables Purchase Agreement that the Seller hereby requests a Swing Purchase of Receivable Interests under the Second Amended and Restated Receivables Purchase Agreement, and in that connection sets forth below the information relating to such Swing Purchase of Receivable Interests (the "Proposed Swing Purchase") as required by Section 2.03(b) of the Second Amended and Restated Receivables Purchase Agreement:

- (i) The requested aggregate amount of such Proposed Swing Purchase is \$ \_\_\_\_\_.
- (ii) The requested Business Day of such Proposed Swing Purchase is \_\_\_\_\_, 20\_\_.
- (iii) The Proposed Swing Purchase shall initially bear Yield based on the Citicorp Base Rate.

The undersigned Seller hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Swing Purchase,

before and after giving effect to the Proposed Swing Purchase and to the application of the proceeds therefrom:

(A) The representations and warranties contained in Article IV of the Second Amended and Restated Receivables Purchase Agreement and in Article III of the Second Amended and Restated Receivables Sale Agreement are correct in all material respects on and as of the date hereof, as though made on and as of the date hereof, other than any such representations and warranties that, by their terms, refer to a specific date other than the date hereof, in which case such representations and warranties shall have been true and correct as of such date.

(B) No event has occurred and is continuing, or would result from the Proposed Swing Purchase or from the application of the proceeds therefrom, which constitutes an Event of Termination or a Potential Event of Termination.

Delivery of an executed counterpart of this Swing Purchase Request by telecopier shall be effective as delivery of an original executed counterpart of this Swing Purchase Request.

Very truly yours,

POLYONE FUNDING CORPORATION,  
as Seller

By: \_\_\_\_\_  
Name:  
Title:

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FORM OF  
LETTER OF CREDIT REQUEST

Dated as of \_\_\_\_\_, 20

Citibank, N.A.  
as Issuing Bank  
388 Greenwich Street, 19th Floor  
New York, New York 10013  
Attention: David Jaffe

Citicorp USA, Inc.,  
as Agent  
388 Greenwich Street, 19th Floor  
New York, New York 10013  
Attention: David Jaffe

Re: PolyOne Funding Corporation

Ladies and Gentlemen:

Reference is made to the Second Amended and Restated Receivables Purchase Agreement dated as of June , 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Second Amended and Restated Receivables Purchase Agreement"), among POLYONE FUNDING CORPORATION, a Delaware corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the servicer (the "Servicer"), the banks and other financial institutions listed on the signature pages of the Second Amended and Restated Receivables Purchase Agreement as initial purchasers, CITICORP USA, INC., a Delaware corporation, as administrative agent (the "Agent") for the Purchasers and the other Owners (each as defined in the Second Amended and Restated Receivables Purchase Agreement), CITIBANK, N.A. and NATIONAL CITY BANK, as issuing banks, and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation, as the syndication agent. Unless otherwise defined herein, terms defined in the Second Amended and Restated Receivables Purchase Agreement are used herein as therein defined.

The Seller hereby gives you notice, irrevocably, pursuant to Section 2.04 of the Second Amended and Restated Receivables Purchase Agreement that the Seller requests the issuance of a Letter of Credit by Citibank, N.A. in the form of a [standby][documentary] letter of credit, and in that connection sets forth below the information relating to such Letter of Credit (the "Proposed Letter of Credit") as required by Section 2.04(c) of the Second Amended and Restated Receivables Purchase Agreement:

- (i) The requested face amount of such Proposed Letter of Credit is \$ \_\_\_\_\_.
- (ii) The requested date of Issuance of such Proposed Letter of Credit is \_\_\_\_\_, 20. The requested expiration date of such Proposed Letter of Credit is \_\_\_\_\_, 20.
- (iii) The Proposed Letter of Credit is requested in the name of \_\_\_\_\_.

The form of the requested Letter of Credit is attached hereto.

The undersigned hereby certifies to the Agent that, as of the close of business on the date set forth above: (i) [s]he is the [title] of the Seller; and (ii) the following statements are true on the date hereof, and will be true on the date of issuance, before and after giving effect to the issuance of the Proposed Letter of Credit:

(A) The representations and warranties contained in Article IV of the Second Amended and Restated Receivables Purchase Agreement and in Article III of the Second Amended and Restated Receivables Sale Agreement are correct in all material respects on and as of the date hereof, as though made on and as of the date hereof, other than any such representations and warranties that, by their terms, refer to a specific date other than the date hereof, in which case such representations and warranties shall have been true and correct as of such date.

(B) No event has occurred and is continuing, or would result from the Proposed Letter of Credit, which constitutes an Event of Termination or a Potential Event of Termination.

Delivery of an executed counterpart of this Letter of Credit Request by telecopier shall be effective as delivery of an original executed counterpart of this Letter of Credit Request.

Very truly yours,

POLYONE FUNDING CORPORATION,  
as Seller

By: \_\_\_\_\_  
Name:  
Title:

H-2

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FORM OF  
NOTICE OF CONVERSION OR CONTINUATION

Dated as of \_\_\_\_\_, 20\_\_\_\_

Citicorp USA, Inc.,  
as Agent  
388 Greenwich Street, 19th Floor  
New York, New York 10013  
Attention: David Jaffe

Re: PolyOne Funding Corporation

Ladies and Gentlemen:

Reference is made to the Second Amended and Restated Receivables Purchase Agreement dated as of June , 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Second Amended and Restated Receivables Purchase Agreement"), among POLYONE FUNDING CORPORATION, a Delaware corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the servicer (the "Servicer"), the banks and other financial institutions listed on the signature pages of the Second Amended and Restated Receivables Purchase Agreement as initial purchasers, CITICORP USA, INC., a Delaware corporation, as administrative agent (the "Agent") for the Purchasers and the other Owners (each as defined in the Second Amended and Restated Receivables Purchase Agreement), CITIBANK, N.A. and NATIONAL CITY BANK, as issuing banks, and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation, as the syndication agent. Unless otherwise defined herein, terms defined in the Second Amended and Restated Receivables Purchase Agreement are used herein as therein defined.

The Seller hereby gives you notice, irrevocably, pursuant to Section 2.16 of the Second Amended and Restated Receivables Purchase Agreement that the Seller hereby requests a [conversion][continuation] of Capital Investments under the Second Amended and Restated Receivables Purchase Agreement, and in that connection sets forth below the information relating to such [conversion][continuation] of Capital Investments (the "Notice Information") as required by Section 2.16(a) of the Second Amended and Restated Receivables Purchase Agreement:

- (i) The amount of Capital Investments that are the subject of this Notice is \$ \_\_\_\_\_ (the "Notice Investments"). The Notice Investments are presently bearing Yield at the Citicorp [LIBO Rate][Base Rate].

(ii) The Notice Investments are being [continued for an additional Yield Period][converted to Capital Investments bearing Yield at the Citicorp [Base Rate][LIBO Rate]].

(iii) The date of the [conversion][continuation] of the Notice Investments is \_\_\_\_\_, 20\_\_\_\_.

In connection herewith, the Seller hereby certifies that no event has occurred and is continuing, or would result from the [conversion][continuation] that is the subject of this Notice, which constitutes an Event of Termination or a Potential Event of Termination.

Very truly yours,

POLYONE FUNDING CORPORATION,  
as Seller

By: \_\_\_\_\_  
Name:  
Title:

**FORM OF  
OPINION OF THOMPSON HINE**

No Form of Opinion was prepared as Exhibit J-1.

J-1-1

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**FORM OF  
OPINION OF THOMPSON HINE**  
("True Sale" and Non-consolidation Opinions)

No Form of Opinion was prepared as Exhibit J-2.

J-2-1

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**FORM OF  
SECOND AMENDED AND RESTATED PARENT UNDERTAKING**

See attached.

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## SECOND AMENDED AND RESTATED UNDERTAKING AGREEMENT

SECOND AMENDED AND RESTATED UNDERTAKING AGREEMENT (this "**Agreement**"), dated as of June , 2007, made by POLYONE CORPORATION, an Ohio corporation (the "**Parent**"), in favor of the Issuing Banks, the Syndication Agent, the Purchasers and the other Owners, each as defined in the Second Amended and Restated Receivables Purchase Agreement (as defined below), and Citicorp USA, Inc. ("**CUSA**") as agent (the "**Agent**") for the Purchasers and the other Owners.

### PRELIMINARY STATEMENTS.

The Parent owns, directly or indirectly, all of the issued and outstanding shares of common stock of PolyOne Funding Corporation, a Delaware corporation (the "**Seller**"), and all of the issued and outstanding shares of common stock of each of the other Originators (as defined in the Second Amended and Restated Receivables Purchase Agreement referred to below).

The Seller and the Parent, as Servicer, have entered into a Second Amended and Restated Receivables Purchase Agreement dated as of the date hereof (such agreement, as it may be amended, restated, supplemented or otherwise modified from time to time, being the "**Second Amended and Restated Receivables Purchase Agreement**") with the banks and other financial institutions listed on the signature pages thereof, as the Purchasers, Citicorp USA, Inc., as Agent, and Citibank, N.A. and National City Bank, as Issuing Banks, and National City Business Credit, Inc., as Syndication Agent. Pursuant to the Second Amended and Restated Receivables Purchase Agreement, the Seller may sell to one or more of the Purchasers, as the case may be, undivided percentage ownership interests in Pool Receivables that were originally owed to the Parent or another Originator and that have been acquired from time to time by the Seller from the Parent and each other Originator pursuant to the Second Amended and Restated Receivables Sale Agreement dated as of the date hereof (such Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified from time to time, the "**Second Amended and Restated Receivables Sale Agreement**") and each Originator as defined in the Second Amended and Restated Receivables Purchase Agreement other than Parent being an "**Originator**") among the Parent and each other Originator, as sellers, and the Seller, as the buyer.

Terms defined in the Second Amended and Restated Receivables Purchase Agreement and not otherwise defined in this Agreement are used herein as therein defined.

It is a condition precedent to the making of the initial Purchase under the Second Amended and Restated Receivables Purchase Agreement that the Parent shall have executed and delivered this Agreement.

NOW, THEREFORE, in consideration of the premises, and the substantial direct and indirect benefits to the Parent from the financing arrangements contemplated



by the Second Amended and Restated Receivables Purchase Agreement and the Second Amended and Restated Receivables Sale Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parent hereby agrees, effective as of the date hereof as follows:

**SECTION 1. Unconditional Undertaking.**

The Parent hereby unconditionally and irrevocably undertakes and agrees with and for the benefit of each of the Agent, the Issuing Banks, the Syndication Agent, the Purchasers and the other Owners (collectively, the **“Indemnified Parties”**) to cause the due and punctual performance and observance by each of (a) the Servicer (so long as any Affiliate of the Parent is the Servicer) and (b) each of the Originators and each of their respective successors and assigns, in each case of clauses (a) and (b), of all of the terms, covenants, agreements, undertakings and other obligations on the part of the Servicer (so long as any Affiliate of the Parent is the Servicer) or each of the Originators, as applicable, to be performed or observed under each of the Second Amended and Restated Receivables Purchase Agreement, the Second Amended and Restated Receivables Sale Agreement and the other Transaction Documents and the other documents delivered in connection therewith (other than the Second Amended and Restated Letter of Credit Agreement) in accordance with the terms thereof, including, without limitation, the obligations to pay when due all monetary obligations of each of the Servicer (so long as any Affiliate of the Parent is the Servicer) and the Originators now or hereafter existing under the Second Amended and Restated Receivables Purchase Agreement, the Second Amended and Restated Receivables Sale Agreement and the other Transaction Documents (other than the Second Amended and Restated Letter of Credit Agreement), whether for Collections received, deemed Collections, Yield, interest, indemnifications, fees, costs, expenses or otherwise (such terms, covenants, agreements, undertakings and other obligations being the **“Obligations”**) and undertakes and agrees to pay any and all expenses (including reasonable counsel fees and expenses) incurred by the Indemnified Parties, or any of them, in enforcing any rights under this Agreement. In the event that the Servicer (so long as any Affiliate of the Parent is the Servicer) or any of the Originators shall fail in any manner whatsoever to perform or observe any of its Obligations when the same shall be required to be performed or observed, then the Parent shall itself duly and punctually perform or observe, or cause to be duly and punctually performed and observed, such Obligation, and it shall not be a condition to the accrual of the obligation of the Parent hereunder to perform or observe any Obligation (or to cause the same to be performed or observed) that any Indemnified Party shall have first made any request of or demand upon or given any notice to the Servicer (whether or not any Affiliate of the Parent is the Servicer) or any of the Originators or any of their successors or assigns, or have instituted any action or proceeding against the Servicer (whether or not any Affiliate of the Parent is the Servicer) or any of the Originators or any of their successors or assigns in respect thereof.

**SECTION 2. Obligations Absolute.**

The Parent undertakes and agrees that the Obligations will be paid and performed strictly in accordance with the terms of the Transaction Documents and each other document delivered in connection therewith (other than the Second Amended and

Restated Letter of Credit Agreement), regardless of any Requirements of Law now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Indemnified Party with respect thereto. The obligations of the Parent under this Agreement are independent of the Obligations, and a separate action or actions may be brought and prosecuted against the Parent to enforce this Agreement, irrespective of whether any action is brought against the Servicer (whether or not any Affiliate of the Parent is the Servicer) or any of the Originators or whether the Servicer (whether or not any Affiliate of the Parent is the Servicer) or any of the Originators are joined in any such action or actions. The liability of the Parent under this Agreement shall be irrevocable, absolute and unconditional irrespective of, and, to the extent permitted by law, the Parent hereby irrevocably waives any defenses (except for any defenses arising or accruing as a result of the gross negligence or willful misconduct of any of the Indemnified Parties) 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 the Obligations or any Pool Receivable, any Receivable Interest or any Related Security, or of any Transaction Document or any other document 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 under the Transaction Documents or any other document relating thereto, or any other amendment or waiver of or any consent to departure from any Transaction Document or any other document relating thereto;

(c) any taking, exchange, release or nonperfection of or failure to transfer title to any asset or collateral, or any taking, release, amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations;

(d) any manner of application of any asset or collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any asset or collateral for all or any of the Obligations or any other obligations of the Servicer (whether or not any Affiliate of the Parent is the Servicer) or any of the Originators under the Transaction Documents or any other document relating thereto;

(e) any change, restructuring or termination of the structure or existence of the Servicer (whether or not any Affiliate of the Parent is the Servicer) or any of the Originators;

(f) any failure of any Indemnified Party to disclose to the Parent any information relating to the financial condition, operations, properties or prospects of any of the Originators now or in the future known to such Indemnified Party (the Parent waiving any duty on the part of such Indemnified Party to disclose such information);

(g) any impossibility or impracticality of performance, illegality, any act of any government, or any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by any Indemnified Party that might constitute a defense available to, or a discharge of, the

Servicer (whether or not any Affiliate of the Parent is the Servicer) or any of the Originators or a guarantor of the Obligations; or

(h) any other circumstance, event or happening whatsoever, whether foreseen or unforeseen and whether similar or dissimilar to anything referred to above in this Section 2.

This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time (x) any payment in connection with any of the Obligations is rescinded or must otherwise be returned by any Indemnified Party, or (y) any performance or observance of any Obligation is rescinded or otherwise invalidated, upon the insolvency, bankruptcy or reorganization of the Servicer (if any Affiliate of the Parent is the Servicer) or any of the Originators or otherwise, all as though payment had not been made or as though such Obligation had not been performed or observed.

#### SECTION 3. Waivers and Acknowledgments.

(a) To the extent permitted by applicable law, the Parent hereby waives promptness, diligence, notice of acceptance and any other notice (except to the extent that such other notice is expressly required to be given to the Parent by any Indemnified Party pursuant to any other Transaction Document) with respect to any of the Obligations and this Agreement and any other document related thereto, and any requirement that any Indemnified Party protect, secure, perfect or insure any lien or any property subject thereto or exhaust any right or take any action against the Servicer (whether or not any Affiliate of the Parent is the Servicer) or any of the Originators or any other Person or any asset or collateral.

(b) The Parent hereby waives any right to revoke this Agreement, and acknowledges that this Agreement is continuing in nature and applies to all Obligations, whether existing now or in the future.

#### SECTION 4. Subrogation.

The Parent shall not exercise or assert any rights that it may now have or hereafter acquire against the Servicer (to the extent the Parent is not the Servicer), or any of the Originators that arise from the existence, payment, performance or enforcement of the Parent's obligations under this Agreement or any other Transaction Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification or any right to participate in any claim or remedy of any Indemnified Party against such Servicer or any of the Originators or any asset or 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 such Servicer or any of the Originators, directly or indirectly, in cash or other property or by setoff or in any other manner, payment or security on account of such claim, remedy or right, unless and until all amounts in connection with the Obligations and all amounts payable under this Agreement shall have been paid in full and all other amounts payable to the Indemnified Parties under the Transaction Documents shall have been paid in full.

If any amount shall be paid to the Parent in violation of the preceding sentence at any time prior to the later of (i) the payment in full of the Obligations and all other amounts payable under this Agreement and all amounts payable to the Indemnified Parties under the Transaction Documents and (ii) the Termination Date, such amount shall be held in trust for the benefit of the Indemnified Parties and shall forthwith be paid to the Agent to be credited and applied to the Obligations, whether matured or unmatured, in accordance with the terms of the Transaction Documents or to be held by the Agent as collateral security for any Obligations payable under this Agreement thereafter arising.

SECTION 5. Representations and Warranties.

The Parent hereby represents and warrants as follows as of each day from the date hereof:

(a) The Parent is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its organization and is duly qualified to do business and is in good standing in each jurisdiction where the nature and extent of its business and properties require it to be so qualified, except where the failure to so qualify would not have a material adverse effect.

(b) All of the issued and outstanding shares of common stock of the Seller and each of the Originators, are owned, directly or indirectly, by the Parent, in each case free and clear of any Adverse Claim.

(c) The execution, delivery and performance by the Parent of each of this Agreement and the other Transaction Documents to which the Parent is a party are within the Parent's corporate powers, have been duly authorized by all necessary corporate action and do not (i) contravene the Parent's charter or code of regulations, (ii) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award binding on or affecting the Parent or any of its properties, or (iii) breach or result in a default under, or result in the acceleration of (or entitle any party to accelerate) the maturity of any obligation of the Parent under, or result in or require the creation of any lien upon or security interest in any property of the Parent pursuant to the terms of, any credit or loan agreement, indenture, or other agreement or instrument (other than any Transaction Documents) binding on or affecting the Parent or any of its properties. Each of this Agreement and the other Transaction Documents to which the Parent is a party have been duly executed and delivered by the Parent.

(d) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other Person is required for the due execution, delivery and performance by the Parent of this Agreement or any of the other Transaction Documents to which the Parent is a party or to ensure the legality, validity or enforceability hereof or thereof other than the filings referenced in Article III of the Second Amended and Restated Receivables Purchase Agreement and Section 2.01(c) of the Second Amended and Restated Receivables Sale Agreement.

(e) Each of this Agreement and the other Transaction Documents to which the Parent is a party are the legal, valid and binding obligation of the Parent enforceable against the Parent in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and to general equitable principles.

(f) The consolidated balance sheet of the Parent and its consolidated Subsidiaries as at December 31, 2006, and the related consolidated statements of income and cash flows of the Parent and its consolidated Subsidiaries for the fiscal year then ending, in each case certified by Ernst & Young LLP, independent public accountants, copies of which have been furnished to the Agent, fairly present in all material respects the consolidated financial condition of the Parent and its consolidated Subsidiaries as at such date and the consolidated results of the operations of the Parent and its consolidated Subsidiaries for the period ended on such date, all in accordance with GAAP and, since December 31, 2006, there has been no material adverse change in such condition or operations of the Parent, or the ability of the Parent to perform its obligations hereunder or under any other Transaction Document to which it is a party.

(g) There is no pending or, to the knowledge of the Parent, threatened action, suit or proceeding affecting the Parent or any of its Subsidiaries, or its property or the property of any of its Subsidiaries, before any court, governmental agency or arbitrator that could reasonably be expected to have a material adverse effect on the Parent, or that purports to affect the legality, validity or enforceability of this Agreement or any of the other Transaction Documents.

(h) Each Seller Report, each Receivables Report and each report furnished to the Agent pursuant to Section 5.05 of the Second Amended and Restated Receivables Purchase Agreement (in each case if prepared by the Parent or any Affiliate thereof, or to the extent that information contained therein is supplied by the Parent or any Affiliate thereof), and each notice or other written item of information, exhibit, financial statement, document, book, record or report, furnished or to be furnished at any time by the Parent or any Affiliate thereof to any Indemnified Party in each case in connection with any Transaction Document is or will be accurate in all material respects as of its date or as of the date so furnished, and no such report or document contains or will contain any untrue statement of a material fact or omits to state, or will omit to state, as of its date of delivery or the date so furnished, a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(i) There are no conditions precedent to the effectiveness of this Agreement or any of the other Transaction Documents to which the Parent is a party that have not been satisfied or waived.

(j) The Parent is neither a "holding company" nor a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. Neither the Parent

nor any of its Affiliates is an “investment company” within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

SECTION 6. Covenants.

The Parent covenants and agrees that, until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Receivable Interest shall be outstanding and no Yield, Letter of Credit Obligations, fees or other amounts remain unpaid under the Second Amended and Restated Receivables Purchase Agreement, the Parent will, unless the Agent and the Required Purchasers shall otherwise consent in writing:

(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.

(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 Parent 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 or as to which an appropriate bond has been obtained 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) 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 Parent and its Subsidiaries may consummate any merger or consolidation permitted under subsection (g) of this Section 6; provided, further that neither the Parent nor any of its Subsidiaries shall be required to preserve any right or franchise if the Board of Directors of the Parent or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Parent or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Parent or such Subsidiary.

(d) Visitation Rights. At any reasonable time and from time to time, permit the Agent, 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 Parent and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Parent and any of its Subsidiaries with any of their officers or directors and with their independent certified public accountants.

(e) Reporting Requirements. To the extent not provided pursuant to any other Transaction Document, furnish to the Agent for distribution to the Purchasers:

(i) within 35 days after the end of each of the first two fiscal months in each fiscal quarter, financial information regarding the Parent and its

Subsidiaries consisting of Consolidated unaudited balance sheets as of the close of such month and the related statements of income and cash flow for such month and that portion of the current Fiscal Year ending as of the close of such month, setting forth in comparative form the figures contained in the Amended and Restated Projections or, if applicable, the latest business plan provided pursuant to clause (e) below for the current Fiscal Year, in each case certified by the chief financial officer, treasurer or other Responsible Officer acceptable to the Agent of the Parent as fairly presenting the Consolidated financial position of the Parent and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated and recorded in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments) and in form reasonably acceptable to the Agent and the Required Purchasers;

(ii) within 50 days after the end of each of the first 3 fiscal quarters of each Fiscal Year, financial information regarding the Parent and its Subsidiaries consisting of Consolidated unaudited balance sheets as of the close of such quarter and the related statements of income and cash flow for such quarter and that portion of the Fiscal Year ending as of the close of such quarter, setting forth in comparative form the figures contained in the Amended and Restated Projections or, if applicable, the latest business plan provided pursuant to clause (e) below for the current Fiscal Year in each case certified by the chief financial officer, treasurer or other Responsible Officer acceptable to the Agent of the Parent as fairly presenting the Consolidated financial position of the Parent and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments) and in form reasonably acceptable to the Agent and the Required Purchasers;

(iii) within 95 days after the end of each Fiscal Year, financial information regarding the Parent and its Subsidiaries consisting of Consolidated balance sheets of the Parent and its Subsidiaries as of the end of such year and related statements of income and cash flows of the Parent and its Subsidiaries for such Fiscal Year, all prepared in conformity with GAAP and certified, in the case of such Consolidated financial statements, without qualification, including, but not limited to, as to the scope of the audit or as to the Parent being a going concern by the Parent's independent public accountants, together with the report of such accounting firm stating that (i) such financial statements fairly present the Consolidated financial position of the Parent and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except for changes with which the Parent's independent public accountants shall concur and that shall have been disclosed in the notes to the financial statements) and (ii) the examination by the Parent's independent public accountants in connection with such Consolidated Financial Statements has been made in accordance with generally accepted auditing standards, and accompanied by a certificate stating that in the course of the regular audit of the business of the

Parent and its Subsidiaries such accounting firm has obtained no knowledge that an Event of Termination or a Potential Event of Termination has occurred and is continuing, or, if in the opinion of such accounting firm, a Potential Event of Termination or Event of Termination has occurred and is continuing, a statement as to the nature thereof;

(iv) promptly after the commencement thereof, notice of all actions and proceedings before any court or governmental agency or arbitrator or other authority affecting the Parent of the type described in Section 5(g);

(v) as soon as possible and in any event within 2 Business Days after a Responsible Officer of the Parent first becomes aware of each Event of Termination or Potential Event of Termination continuing on the date of such statement, a statement of the chief financial officer or treasurer of the Parent setting forth details of such Event of Termination or Potential Event of Termination and the action which the Parent has taken and proposes to take with respect thereto;

(vi) not later than the earlier of (i) 15 days after the Parent has received the approval of its board of directors therefor and (ii) 90 days after the commencement of each Fiscal Year: (A) the annual business plan of the Parent and its Subsidiaries for such Fiscal Year approved by the Board of Directors of the Parent, (B) forecasts prepared by management of the Parent for each fiscal month in such Fiscal Year and (C) forecasts prepared by management of the Parent for such Fiscal Year and each of the succeeding Fiscal Years through the Commitment Termination Date, including, in each instance described in clauses (B) and (C) above, (x) a projected year-end Consolidated balance sheet and income statement and statement of cash flows, (y) a statement of all of the material assumptions on which such forecasts are based and (z) containing the types of financial information contained in the Projections;

(vii) promptly after the sending or filing thereof, copies of (a) all reports that the Parent is required to provide or provides to the lenders under any working capital facility permitted under the Transaction Documents, (b) all reports the Parent sends to its security holders generally, (c) all reports and registration statements that the Parent or any of its Subsidiaries files with the Securities and Exchange Commission or any national or foreign securities exchange or the National Association of Securities Dealers, Inc., (d) all press releases and (e) all other statements concerning material changes or developments in the business of the Parent made available by the Parent or any of its domestic Subsidiaries to the public or any other creditor; and

(viii) such other information, documents, records or reports respecting the condition or operations, financial or otherwise, of the Parent or any of its subsidiaries as the Agent may from time to time reasonably request.



(f) Stock Ownership. Continue to own, directly or indirectly, all of the issued and outstanding shares of Stock and Stock Equivalents of the Seller and each of the Originators free and clear of any Adverse Claim.

(g) Merger, Etc. Not 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, except that any Subsidiary of the Parent may merge into or dispose of assets to the Parent and the Parent may merge with any other Person so long as the Parent is the surviving corporation; provided, in each case, that no Event of Termination or Potential Event of Termination shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

#### SECTION 7. Amendments, Etc.

No amendment or waiver of any provision of this Agreement or consent to any departure by the Parent herefrom shall be effective unless in a writing signed by the Agent with the consent of the Required Purchasers (and, in the case of any amendment, also signed by the Parent), and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

#### SECTION 8. Addresses for Notices.

All notices and other communications hereunder shall, unless otherwise stated herein, be in writing and mailed or delivered, (i) to the Parent, at its address set forth under its name on the signature page hereof, (ii) to each Indemnified Party, at its address specified in the Second Amended and Restated Receivables Purchase Agreement, or (iii) to any party hereto at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall, when mailed or delivered in person or by courier be effective when received, in each case addressed as foreshaid.

#### SECTION 9. No Waiver; Remedies.

No failure on the part of any Indemnified Party 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 10. Continuing Agreement; Assignments under Amended and Restated Receivables Purchase Agreement.

This Agreement is a continuing agreement and shall, subject to the reinstatement provisions contained in Section 2, (a) remain in full force and effect until the later of (i) the payment and performance in full of the Obligations and the payment of all other amounts payable under this Agreement and (ii) the Termination Date, (b) be binding upon the Parent, its successors and permitted assigns, and (c) inure to the benefit

of, and be enforceable by, the Indemnified Parties and each of their respective successors and permitted transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, (A) any Purchaser or Issuing Bank may assign all or any of its Receivable Interests under the Second Amended and Restated Receivables Purchase Agreement in accordance with the terms thereof to any Eligible Assignee, and (B) the Agent may be replaced pursuant to the provisions of the Second Amended and Restated Receivables Purchase Agreement, and such Eligible Assignee, or such replacement Agent, shall thereupon become vested with all the benefits in respect thereof granted to such Purchaser, such Issuing Bank or the Agent, as the case may be, herein or otherwise. The Parent shall not have the right to assign this Agreement or any or all of its rights or obligations hereunder or any interest herein to any Person except either (i) in connection with a merger or consolidation permitted under Section 6(e) or (ii) with the prior written consent of the Agent and each Purchaser.

SECTION 11. Entire Agreement.

This Agreement and the other Transaction Documents to which the parties hereto are a party contain a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, written or oral, relating to the subject matter hereof.

SECTION 12. Severability of Provisions.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 13. Governing Law; Jurisdiction; Waiver of Jury Trial, Etc.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Parent 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 any of the other Transaction Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and the Parent 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. The Parent hereby agrees that service of process in any such action or proceeding may be effected by mailing a summons and complaint to it at its address set forth under its name on the signature page hereof by registered mail, return receipt requested, or in any other manner permitted by applicable law. The Parent 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. Nothing in this Agreement or any other Transaction Document shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any other Transaction Document in the courts of any jurisdiction.

(c) The Parent 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 any of the other Transaction Documents which it is or is to be a party in any New York State court or United States federal court sitting in New York City. The Parent hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court.

(d) THE PARENT 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 ANY OF THE TRANSACTION DOCUMENTS, THE PURCHASES OR THE ACTIONS OF ANY INDEMNIFIED PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

[Remainder of page intentionally left blank.]

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

POLYONE CORPORATION

By: \_\_\_\_\_

Name: John Rastetter

Title: Treasurer

33587 Walker Road  
Avon Lake, Ohio 44012  
Attention: Treasurer

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**LOCK-BOX BANKS AND  
LOCK-BOX ACCOUNTS**

<u>Lock-Box Bank</u>	<u>Lock-Box No.</u>	<u>Lock-Box Account No.</u>
Mellon Bank, N.A.	01489	078-6808
Mellon Bank, N.A.	10602	078-6808

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**CREDIT AND COLLECTION POLICY****Purpose and Scope**

The Company conducts its operations through dedicated business units and organizational teams. The purpose of this policy is to establish the essential Company-wide requirements relating to the management of "credit" risk. The scope of this policy covers all receivables for each business unit.

**Overall Policy**

Unless otherwise approved, the Company will only extend credit as part of conducting normal business operations. Credit will be provided based on an assessment of an individual customer's (or other third party's) ability to pay within terms common (competitive) to the business market segment. Each business will manage its credit risk by (a) assessing the risk exposure of its credit portfolio and (b) assessing activities to realize prompt payment collection.

**Responsibility and Authority**

The Corporate Chief Financial Officer (CFO) is responsible for establishing policy guidelines consistent with PolyOne Corporation's target capital structure. The guidelines will cover setting credit limits and exceptions thereto, for term extensions and credit worthiness, and determining the appropriate risk exposure of a business' overall credit portfolio.

The CFO is responsible for this policy and revisions, which may be required from time to time. The CFO will approve any exceptions to this policy.

It is the responsibility of the business General Manager, delegating through the business management team (specifically including the business controller and credit manager), to develop and implement all business unit policies, guidelines and/or procedures necessary to effectively manage the business unit's day-to-day credit risk and to adhere to this Company-wide policy. The business General Manager is delegated the authority to have credit authorized consistent with this policy.

**Actions Requiring the Approval of the CFO**

- Business programs, which in their aggregate extend overall credit levels beyond established risk exposure guidelines
- Expansion by more than 10% of previously approved programs
- Employee credit other than for relocation and/or nominal amounts not to exceed \$500 outstanding per individual (should be discouraged)
- Any credit to Company Officers

## **Guidelines**

The successful implementation of this policy is partially dependent on establishing specific control and reporting activities that each business unit's operations are expected to incorporate. Below are specific activities which each business unit will perform in supporting the (a) assessment of its credit portfolio risk, (b) prompt collection of outstanding credit and (c) reporting to Corporate Services (CFO, Treasurer and Corporate Controller).

### **Assessing portfolio credit risk**

- Assess the credit risk on an individual account basis
- New shipments will only be made within established guidelines
- Continuous and periodical assessments of the overall risk profile of the credit portfolio considering industry conditions credit terms/programs, specific account condition with appropriate actions implemented.

### **Prompt Payment**

- Delinquent accounts will be contacted in a timely manner and communications of such delinquency will be made to business management and to the sales organization
- Customer accounts will be kept clean, i.e., credit and debit adjustments issued timely, cash applied to invoices, etc.

### **Reporting to Corporate Services**

- In the monthly financial reporting package include key performance measures relating to receivable DSO, aging, dating, etc. The business unit DSO will be shown for domestic, foreign and total and calculated on a Company-wide basis
- Quarterly provide a brief communication on the business unit's credit risk portfolio profile and highlight substantive changes
- Annually review any programs which extend credit beyond normal product sale terms

In addition to the above activities it is important that each business unit establish an environment consistent with managing its credit risk. Important areas to consider and which may impact such an environment include the following:

- Scope of account responsibility given to sales personnel
- Sales personnel basis of incentive compensation
- Customer incentives for prompt payment
- Level of communications between sales and credit personnel
- Use of performance measures and establishing goals

Also, it is the responsibility of each business unit to quickly communicate to other PolyOne business units, as appropriate, problem accounts or potential bad credit risks.

**JURISDICTION OF INCORPORATION,  
ORGANIZATION IDENTIFICATION NUMBER AND  
LOCATION OF THE SELLER'S PRINCIPAL PLACE OF BUSINESS,  
CHIEF EXECUTIVE OFFICE AND OFFICE WHERE  
RECORDS ARE KEPT**

**PolyOne Funding Corporation**

**Jurisdiction of Incorporation**

Delaware.

**Organization Identification Number**

DE-3510171.

**Principal Place of Business, Chief Executive Office and Office Where Records Are Kept**

PolyOne Funding Corporation  
33587 Walker Road  
Avon Lake, Ohio 44012

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FORMS OF INVOICE

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CHANGES IN FINANCIAL CONDITIONS OR OPERATIONS

None.

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UCC FILING JURISDICTIONS

<u>Filing Entity</u>	<u>Jurisdiction(s)</u>
PolyOne Corporation	Ohio SOS
PolyOne Funding Corporation	Delaware SOS

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**SCHEDULE VII**

## Exhibit VII — Allocations

Organization	US Alloc.	CA Alloc.	Total Alloc.
Citigroup	\$ 35.0	5.0	\$ 40.0
National City	35.0	5.0	40.0
BOA	21.1	3.9	25.0
Merrill Lynch	22.6	3.9	26.5
CIT Group	16.7	2.3	19.0
PNC	16.6	1.9	18.5
US Bank	14.5	1.5	16.0
Webster	13.5	1.5	15.0
	<u>\$ 175.0</u>	<u>\$ 25.0</u>	<u>\$ 200.0</u>

**SECOND AMENDED AND RESTATED  
RECEIVABLES SALE AGREEMENT**

Dated as of June \_\_, 2007

among

**POLYONE CORPORATION**

as the Seller,

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and

**POLYONE FUNDING CORPORATION**

as the Buyer

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and

**POLYONE CORPORATION**

as the Buyer's Servicer

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## SECOND AMENDED AND RESTATED RECEIVABLES SALE AGREEMENT

SECOND AMENDED AND RESTATED RECEIVABLES SALE AGREEMENT dated as of June \_\_, 2007 (this "Agreement") among POLYONE CORPORATION, an Ohio corporation ("PolyOne" or, the "Seller"), POLYONE FUNDING CORPORATION, a Delaware corporation (the "Buyer"), and PolyOne, as the Buyer's Servicer.

### PRELIMINARY STATEMENTS:

(1) The Seller in the ordinary course of business generates, and will generate from time to time, Receivables (as defined in the Second Amended and Restated Receivables Purchase Agreement, as defined below) from time to time owing to it.

(2) The Seller wishes to sell to the Buyer from time to time hereunder all present and future Receivables in respect of each of which, on the date of the sale of such Receivable to the Buyer hereunder, the Obligor is a Designated Obligor (as defined in the Second Amended and Restated Receivables Purchase Agreement, as defined below) (such Receivable being a "Seller Receivable"), together with the Related Security and Collections (as hereinafter defined) with respect thereto.

(3) The Buyer wishes concurrently to sell interests, to the extent of the Receivable Interests (as defined in the Second Amended and Restated Receivables Purchase Agreement referred to below) sold from time to time by it to the Purchasers (as defined in the Second Amended and Restated Receivables Purchase Agreement referred to below), in each of the present and future Seller Receivables, together with the Related Security and Collections with respect thereto, pursuant to the Second Amended and Restated Receivables Purchase Agreement dated as of June [\_\_], 2007 (as the same may from time to time be amended, restated, supplemented or otherwise modified from time to time, the "Second Amended and Restated Receivables Purchase Agreement") among the Buyer, PolyOne, as Servicer thereunder, the Purchasers (as defined below), Citicorp USA, Inc. ("Citicorp"), as administrative agent (the "Agent") for the Purchasers and any other owners of Receivable Interests, Citibank, N.A. and National City Bank, as issuing banks (the "Issuing Banks"), and National City Business Credit, Inc., as the syndication agent (the "Syndication Agent").

NOW, THEREFORE, in consideration of the premises, the parties hereto agree as follows:

### ARTICLE I

#### DEFINITIONS

##### SECTION 1.01. Certain Defined Terms.

Terms defined in the Second Amended and Restated Receivables Purchase Agreement and not otherwise defined herein are used in this Agreement as defined in the Second Amended and Restated Receivables Purchase Agreement. In addition, as used in this Agreement and unless otherwise stated herein, 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" has the meaning specified in Preliminary Statement (3).

"Buyer's Servicer" has the meaning specified in Section 5.01.

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“Buyer’s Servicer Fee” has the meaning specified in Section 2.05.

“Citicorp” has the meaning specified in Preliminary Statement (3).

“Collections” means, with respect to any Seller Receivable, all cash collections and other cash proceeds of such Seller Receivable, including, without limitation, (i) all cash proceeds of the Related Security with respect to such Seller Receivable and (ii) any Collections of such Seller Receivable deemed to have been received, and actually paid, pursuant to Section 2.03.

“Contract” means an agreement between the Seller and an Obligor, in any written form acceptable to the Seller, or in the case of any open account agreement as evidenced by one of the forms of invoices set forth in Schedule III hereto or otherwise approved by the Agent from time to time (which approval shall not be unreasonably withheld), pursuant to or under which such Obligor shall be obligated to pay for goods or services from time to time.

“Credit and Collection Policy” means those credit and collection policies and practices in effect on the date hereof relating to Contracts and Receivables and described in Schedule II hereto, as modified from time to time in compliance with Section 4.02(c).

“Indemnified Amounts” has the meaning specified in Section 6.01.

“Indemnified Party” means any or all of the Buyer, the Issuing Banks, the Purchasers and the other Owners under the Second Amended and Restated Receivables Purchase Agreement, the Agent and their respective Affiliates and successors and assigns.

“Initial Purchase Price” has the meaning specified in Section 2.02(a).

“Issuing Banks” has the meaning specified in Preliminary Statement (3).

“Material Adverse Change” means a material adverse change in any of (a) the condition (financial or otherwise), business, performance, prospects, operations, contingent liabilities, material obligations, or properties of the Seller or the Buyer, (b) the collectibility of the Seller Receivables, or the ability of the Buyer’s Servicer (if PolyOne or any of its Affiliates) to collect Seller Receivables, (c) the legality, validity or enforceability of any Transaction Document, (d) the ability of the Seller to perform its obligations under the Transaction Documents or the Contracts or (e) the rights and remedies of the Buyer, the Agent, the Purchasers or the Issuing Banks under the Transaction Documents.

“Material Adverse Effect” means an effect that results in or causes, or could reasonably be expected to result in or cause, a Material Adverse Change.

“Obligor” means any Person obligated to make payments pursuant to a Contract.

“Other Taxes” has the meaning specified in Section 7.04(b).

“Program” means the receivables program established pursuant to this Agreement and the Second Amended and Restated Receivables Purchase Agreement.

“Purchase Price” has the meaning specified in Section 2.02(b).

“Purchasers” means the Initial Purchasers and each Assignee that shall become a party to the Second Amended and Restated Receivables Purchase Agreement pursuant to Section 9.01 thereof.

“Receivable Assets” has the meaning specified in Section 2.01(a).

“Receivables Activity Report” means a report prepared by the Seller, pursuant to Section 2.03(c), in substantially the form attached hereto as Exhibit A.

“Reimbursement Obligations” means all matured reimbursement or repayment obligations of the Seller to the Buyer with respect to amounts drawn under Letters of Credit.

“Related Security” means with respect to any Receivable:

- (i) all of the Seller’s right, title and interest in, under and to all security agreements or other agreements that relate to such Receivable;
- (ii) all of the Seller’s interest in the goods (including returned goods), if any, relating to the sale which gave rise to such Receivable;
- (iii) 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 or authenticated by an Obligor describing any collateral securing such Receivable;
- (iv) all rights in respect of lock-boxes and accounts to which Collections are sent or deposited, and all funds and investments therein;
- (v) all letter of credit rights, guaranties, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivables whether pursuant to the Contract related to such Receivable or otherwise; and
- (vi) all Records relating to such Receivable.

“Second Amended and Restated Letter of Credit Agreement” means the Second Amended and Restated Letter of Credit Agreement dated as of June \_\_\_, 2007 among PolyOne and the Buyer, as the same may from time to time be amended, restated, supplemented or otherwise modified from time to time.

“Second Amended and Restated Receivables Purchase Agreement” has the meaning specified in Preliminary Statement (3).

“Second Amended and Restated Subordinated Note” means each subordinated promissory note, in substantially the form of Exhibit B hereto, executed by the Buyer to the order of the Seller.

“Seller Receivable” has the meaning specified in Preliminary Statement (2).

“Solvent” means, with respect to any Person on a particular date, that on such date (a) 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, (b) 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, (c) 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 (d) 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.

"Syndication Agent" has the meaning specified in Preliminary Statement (3).

"Termination Date" means the Termination Date under and as defined in the Second Amended and Restated Receivables Purchase Agreement.

"Transaction Documents" means this Agreement, the Second Amended and Restated Receivables Purchase Agreement, the Second Amended and Restated Subordinated Notes, the Lock-Box Agreements, the Second Amended and Restated Parent Undertaking, [the Intercreditor Agreement,] the Second Amended and Restated Consent and Agreement, the Second Amended and Restated Letter of Credit Agreement and the Second Amended and Restated Fee Letter.

#### SECTION 1.02. Other Terms.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 in 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 each of the words "to" and "until" means "to but excluding".

## ARTICLE II

### SALE OF SELLER RECEIVABLES

#### SECTION 2.01. Sale of Seller Receivables.

(a) The Seller hereby sells, transfers and assigns, without recourse (except as expressly provided herein), to the Buyer, on the terms and subject to the conditions specifically set forth herein, all of the Seller's right, title and interest in, to and under all Seller Receivables existing on the date hereof and hereafter created from time to time until the Termination Date, all Related Security and Collections with respect thereto and all proceeds of the foregoing, together with all of the Seller's rights, remedies, powers and privileges with respect to such Seller Receivables (collectively, the "Receivable Assets").

(b) The parties to this Agreement intend that the transactions contemplated hereby shall be, and shall be created as, a purchase by the Buyer and a sale by the Seller of Receivable Assets and not as a lending transaction. The foregoing sales, transfers and assignments do not constitute and are not intended to result in a creation or assumption by the Buyer of any obligation or liability with respect to any Seller Receivable or Contract, nor shall the Buyer be obligated to perform or otherwise be responsible for any obligation of the Seller or any other Person in connection with any Receivable Assets or under any agreement or instrument relating thereto.

(c) In connection with the foregoing sales, transfers and assignments, the Seller agrees to record and file, at its own expense, proper financing statements (and proper continuation statements with respect to such financing statements when applicable) with respect to the Receivable Assets now and hereafter from time to time acquired by the Buyer under this Agreement, in such manner and in such jurisdictions as are necessary to perfect the sales, transfers and assignments of the Receivable Assets to the Buyer hereunder, and to deliver copies of such financing statements to the Buyer and the Agent on or prior to the initial Purchase under the Second Amended and Restated Receivables Purchase Agreement. Such financing statements shall name the Seller as debtor/seller, the Buyer as secured party/buyer and the Agent as assignee.

SECTION 2.02. Terms of Sales.

(a) The Buyer and PolyOne hereby confirm that on May 6, 2003, the Buyer accepted from PolyOne and PEFI, and PolyOne and PEFI sold, transferred and assigned to the Buyer, all of PolyOne's and PEFI's respective right, title and interest in, to and under those Receivable Assets that were outstanding on such date. As consideration for such sale, transfer and assignment of Receivable Assets on such date, the Buyer paid (or caused to be paid) to PolyOne and PEFI on such date an amount (PolyOne's or PEFI's, as applicable, "Initial Purchase Price") agreed upon prior to such date, between PolyOne or PEFI and the Buyer to be reasonably equivalent value for such Receivable Assets as of such date. The Buyer and PolyOne hereby confirm that on May 6, 2003, the Buyer paid to PolyOne and PEFI as part of the total Initial Purchase Price the total amount which the Purchasers paid to the Buyer in Capital on such date under the Prior Sale Agreement.

(b) The Buyer and PolyOne hereby confirm that on each Business Day after May 6, 2003 through the date of this Agreement, the Buyer has accepted from PolyOne and PEFI, and PolyOne and PEFI sold, transferred and assigned to the Buyer, all of PolyOne's and PEFI's right, title and interest in, to and under those Receivable Assets that were created on such Business Day. The Buyer and PolyOne hereby confirm that, as consideration for such continuing sales, transfers and assignments of Receivable Assets, the Buyer paid (or caused to be paid) to PolyOne and PEFI an amount equal to the purchase price therefor agreed upon prior to the date of such sale, transfer and assignment, between PolyOne and PEFI and the Buyer to be reasonably equivalent value for such Receivable Assets as of the date of such sale, transfer and assignment.

(c) On each Business Day after the date hereof until the Termination Date the Buyer shall accept from the Seller, and the Seller shall sell, transfer and assign to the Buyer, all of the Seller's right, title and interest in, to and under those Receivable Assets that are created on such Business Day. As consideration for such continuing sale, transfer and assignment of Receivable Assets after the date hereof, the Buyer shall pay (or cause to be paid) to the Seller an amount (the "Purchase Price") agreed upon prior to the date of such sale, transfer and assignment, between the Seller and the Buyer to be reasonably equivalent value for such Receivable Assets as of the date of such sale, transfer and assignment.

(d) The Purchase Price other than the Seller's Initial Purchase Price, and the balance, if any, of the Seller's Initial Purchase Price to be so paid by the Buyer on the date hereof, in accordance with the last sentence of subsection (a) of this Section 2.02, shall be paid in any of the following ways:

(i) in cash paid to the Seller in U.S. Dollars in same day funds on or before the next occurring Yield Payment Date or the date hereof; or

(ii) upon the agreement of the Seller and the Buyer, by means of indebtedness owed by the Buyer to the Seller evidenced by, and payable with interest pursuant to, a Second Amended and Restated Subordinated Note payable to the order of the Seller; or

(iii) a combination of the above.

(e) In addition to the methods of payment specified in subsection (d) of this Section 2.02 the Purchase Price may be paid in any of the following ways:

(i) upon the agreement of PolyOne and the Buyer, by means of capital contributed by PolyOne to the Buyer in the form of Receivable Assets sold, transferred and assigned during such Yield Period or on the date hereof, as the case may be, and the Purchase Price, or such balance of the Initial Purchase Price, as the case may be, shall be considered paid in full by reflecting such contribution as an addition to surplus of the Buyer at an appropriate value; or

(ii) a combination of any of the payment methods set forth above or in subsection (d) of this Section 2.02.

**SECTION 2.03. General Settlement Procedures.**

(a) If on any day the Outstanding Balance of a Seller Receivable is either (i) reduced as a result of any defective, rejected or returned goods or services, any discount, or any adjustment by the Seller or (ii) reduced or canceled as a result of a setoff in respect of any claim by the Obligor thereof against the Seller or any Affiliate thereof other than the Buyer (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 and shall make the payment required to be made by it in connection with such Collection on the day required by, and otherwise pursuant to, Section 4.01(i). If on any day any of the representations or warranties in Section 3.01(f) is no longer true with respect to any Seller Receivable, the Seller shall be deemed to have received on such day a Collection in full of such Seller Receivable and shall make the payment required to be made by it in connection with such Collection on the day required by, and otherwise pursuant to, Section 4.01(i). Except as stated in the preceding sentences of this Section 2.03 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.

(b) The Buyer's Servicer shall immediately advise the Buyer and the Agent of each Liquidation Day.

(c) At least two Business Days before each Yield Payment Date, the Buyer's Servicer shall prepare and forward to the Buyer and the Agent a Receivables Activity Report of the Buyer's Servicer, as of the close of business of the Buyer's Servicer on the last day of the immediately preceding Yield Period, setting forth the calculation of the actual Purchase Price for each Receivable Asset sold, transferred and assigned during such Yield Period, and the reconciliation of how the Purchase Price has been paid reflecting the cash advanced from the Buyer to the Seller during such Yield Period, the adjustments to and current balance, if any, due from the Buyer to the Seller under its Second Amended and Restated Subordinated Note, and the amount of additional cash, if any, to be paid by the Buyer to the Seller on such Yield Payment Date.

**SECTION 2.04. Payments and Computations, Etc.**

(a) All amounts to be paid or deposited by the Seller or the Buyer's Servicer 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 U.S. Dollars, in same day funds to the Buyer as directed by the

Buyer to the Seller or the Buyer's Servicer in writing. The Seller shall, to the extent permitted by law, pay to the Buyer interest on all amounts not paid or deposited when due hereunder (except for those amounts with respect to which Yield accrues) at 2.00% per annum above the Alternate Base Rate in effect from time to time, payable on demand; provided, however, that such interest rate shall not at any time exceed the maximum rate permitted by applicable law.

(b) All computations of interest 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.

(c) [Reserved].

(d) The Seller hereby irrevocably and unconditionally waives and relinquishes to the fullest extent it may legally do so (i) any express or implied vendor's lien, and any other lien, security interest, charge or encumbrance, which would otherwise be imposed on or affect any Seller Receivable or any Receivable Asset on account of any unpaid amount of the Seller's Initial Purchase Price or any Purchase Price therefor or on account of any other unpaid amounts otherwise payable by the Buyer under or in connection with this Agreement or the Second Amended and Restated Subordinated Note payable to the order of the Seller or otherwise and (ii) with respect to the obligations of the Seller to make payments or deposits under this Agreement (including, without limitation, payments under Sections 2.03 and 6.01), any setoff, counterclaim, recoupment, defense and other right or claim which the Seller may have against the Buyer as a result of or arising out of the failure of the Buyer to pay any amount on account of the Seller's Initial Purchase Price or any Purchase Price under Sections 2.01 and 2.02 or any other amount payable by the Buyer to the Seller under this Agreement or the Second Amended and Restated Subordinated Note payable to the order of the Seller or otherwise.

**SECTION 2.05. Buyer's Servicer Fee.**

The Buyer shall pay to the Buyer's Servicer a collection fee (the "Buyer's Servicer Fee") from the date hereof until the Termination Date, payable on each Yield Payment Date, in an amount equal to the amount payable to the Servicer under the Second Amended and Restated Receivables Purchase Agreement or such other amount calculated on an arm's-length basis for services performed as a subcontractor on terms common to collection agency arrangements in comparable asset sale transactions; provided, however, that the Buyer shall be given a credit against the Buyer's Servicer Fee payable under this Agreement equal to the full amount of the Servicer Fee paid under the Second Amended and Restated Receivables Purchase Agreement.

**ARTICLE III**

**REPRESENTATIONS AND WARRANTIES**

**SECTION 3.01. Representations and Warranties of Seller.**

The Seller represents and warrants, as of the date hereof and the date of each transfer of Seller Receivables hereunder, before and after giving effect to such transfer, as though made on and as of such date, other than any such representations and warranties that, by their terms, refer to a specific date other than the date of said transfer, in which case, as of such date, as follows:

(a) The Seller is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation indicated at the beginning of this Agreement, 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 to the extent that any failure to be so qualified or in good standing as a foreign entity could not reasonably be expected to have a Material Adverse Effect.

(b) The execution, delivery and performance by the Seller of the Transaction Documents to which it is a party and the other documents to be delivered by it thereunder, and the transactions contemplated hereby and thereby, including the Seller's use of the proceeds of the sales, transfers and assignments of Receivable Assets hereunder, are within the Seller's corporate powers, have been duly authorized by all necessary corporate action, do not (i) contravene the Seller's charter, articles, by-laws or code of regulations, (ii) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, or (iii) breach or result in a default under, or result in the acceleration of (or entitle any party to accelerate) the maturity of any obligation of the Seller under, or result in or require the creation of any lien upon or security interest in any property of the Seller pursuant to the terms of, any Contract or any other agreement or instrument (other than any Transaction Document) binding on or affecting the Seller or any of its properties.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Seller of any Transaction Document to which it is a party or any other agreement or document to be delivered thereunder, or for the perfection of or the exercise by any Indemnified Party of its rights and remedies under such Transaction Document and such other agreements or documents, except for the filings of the financing statements referred to in Section 2.01(c) and in Article III of the Second Amended and Restated Receivables Purchase Agreement.

(d) This Agreement has been, and each other Transaction Document to which the Seller is a party when delivered will have been, duly executed and delivered by the Seller. This Agreement is, and the other Transaction Documents to which the Seller is or will be a party when delivered hereunder will be, the legal, valid and binding obligations of the Seller enforceable against the Seller in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and to general equitable principles.

(e) There is no action, suit, investigation, litigation or proceeding pending or, to the knowledge of the Seller, threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to result in a Material Adverse Change or (ii) restrains, prevents or imposes or can reasonably be expected to impose materially adverse conditions upon the Transaction Documents or the transactions contemplated thereby.

(f) Immediately prior to each sale, transfer and/or assignment by the Seller of any Receivable Assets hereunder, the Seller is the legal and beneficial owner of such Receivable Assets, free and clear of any Adverse Claim. Upon each sale, transfer and/or assignment by the Seller of each Receivable Asset hereunder, the Buyer shall have a valid and perfected first priority undivided 100% ownership interest or security interest in such Receivable Asset free and clear of any Adverse Claim except as created by this Agreement and the Second Amended and Restated Receivables Purchase Agreement. No effective financing statement or other filing or instrument similarly in effect covering any Contract or any Receivable Assets is on file in any recording office, except those filed in favor of the Buyer and the Agent relating to this Agreement or the Prior Sale Agreement or in favor of the Agent and relating to the Second Amended and Restated Receivables Purchase Agreement or the Prior Agreement.

(g) No proceeds of any sale, transfer and/or assignment by the Seller of any Seller Receivable hereunder will be used to acquire any security in any transaction which is subject to Sections 13 and 14 of the Securities Exchange Act of 1934, as amended.

(h) No proceeds of any sale, transfer and/or assignment by the Seller of any Seller Receivable hereunder will be used to purchase or carry any “margin stock” (as defined or used in the regulations of the Board of Governors of the Federal Reserve System) in contravention of the requirements of Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time. The Buyer is not engaged in the business of extending credit for the purpose of purchasing or carrying any margin stock.

(i) Each Receivables Activity Report, Seller Report and Receivables Report (if prepared by the Seller or one of its Affiliates, or to the extent that information contained therein is supplied by the Seller or any Affiliate thereof), information, exhibit, financial statement, or other report or document furnished or to be furnished at any time by or on behalf of the Seller to the Buyer or the Agent or any Owner in connection with this Agreement or the Second Amended and Restated Receivables Purchase Agreement is or will be accurate in all material respects as of its date or as of the date so furnished, and no such report or document contains, or will contain, as of its date of delivery or the date so furnished, any untrue statement of a material fact or omits to state, or will omit to state, as of its date of delivery or the date so furnished, a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(j) The jurisdiction of incorporation, organizational identification number (if any), and the address(es) of the principal place of business and chief executive office of the Seller and the office where the Seller keeps its Records concerning the Receivable Assets, are as set forth in Schedule IV hereto (or, by notice to the Buyer and the Agent in accordance with Section 4.01(e), at such other locations in jurisdictions, within the United States, where all actions required by Section 5.04(a) have been taken and completed).

(k) The names and addresses of all the Lock-Box Banks, together with the lock-box numbers related to, and the account numbers and owners (the Buyer or the Seller) of, the Lock-Box Accounts of the Seller at such Lock-Box Banks, are specified in Schedule I hereto (or such other Lock-Box Banks and/or such other Lock-Box Accounts as have been notified to the Buyer and the Agent in accordance with Section 4.02(d)).

(l) Except as set forth on Schedule V hereto, the Seller has not changed its name within the last five years, and has no trade names, fictitious names, assumed names or “doing business as” names.

(m) The Purchase Price payable on each Yield Payment Date pursuant to Section 2.02(b) for the Seller’s Receivable Assets created after such date constitutes fair consideration and approximates fair market value for such Receivable Assets, and the terms and conditions (including, without limitation, such Purchase Price therefor, and the terms of the Second Amended and Restated Subordinated Notes, if applicable) of the sale, transfer and assignment of such Receivable Assets pursuant to Sections 2.01 and 2.02 reasonably approximate an arm’s-length transaction between unaffiliated parties. No such sale, transfer or assignment has been made for or on account of an antecedent debt owed by the Seller to the Buyer and no such sale, transfer or assignment, at the time such sale, transfer or assignment is made, is or may be voidable or subject to avoidance under any section of the U.S. Bankruptcy Code.

(n) The Seller has filed, or caused to be filed or be included in, all tax reports and returns (federal, state, local and foreign), if any, required to be filed by it and paid, or caused to be paid, all amounts of taxes, including interest and penalties, required to be paid by it, except for such taxes (i) as are being contested in good faith by proper proceedings and (ii) against which adequate reserves shall have been established in accordance with and to the extent required by GAAP, but only so long as the



proceedings referred to in clause (i) above would not subject the Agent or any other Indemnified Party to any civil or criminal penalty or liability or involve any material risk of the loss, sale or forfeiture of any property, rights or interests covered hereunder or under the Second Amended and Restated Receivables Purchase Agreement.

(o) The consolidated audited balance sheet of PolyOne and its subsidiaries as at December 31, 2006, and the related consolidated audited statements of income and retained earnings and of cash flows of PolyOne and its Subsidiaries for the fiscal year then ended, fairly present the consolidated financial condition of PolyOne and its Subsidiaries as at such date, and the consolidated results of the operations and cash flows of PolyOne and its Subsidiaries for the periods ended on such date, all in accordance with generally accepted accounting principles applied on a consistent basis.

(p) The Seller is in compliance in all material respects with the presently applicable provisions of ERISA and the Code.

(q) The Seller has not sold, assigned, transferred, pledged or hypothecated any interest in any Receivable Assets with respect thereto to any Person other than as contemplated by this Agreement or that has been released by the Agent from the Receivables Pool.

(r) The Seller has complied with the Credit and Collection Policy in all material respects and since the date of this Agreement there has been no change in the Credit and Collection Policy except as permitted hereunder.

(s) Since December 31, 2006, there has been no Material Adverse Change and there have been no events or developments that, in the aggregate, have had a Material Adverse Effect.

(t) The Seller has not extended or modified the terms of any Seller Receivable or the Contract under which any such Seller Receivable arose, except in accordance with the Credit and Collection Policy and in accordance with Section 6.02(b) of the Second Amended and Restated Receivables Purchase Agreement.

(u) Except under the Lock-Box Agreements, the Seller has not granted any Person dominion or control of any Lock-Box Account, or the right to take dominion or control over any Lock-Box Account at a future time or upon the occurrence of a future event.

(v) The Seller is Solvent.

(w) The Seller is not (i) a party to any contractual obligation the compliance with one or more of which would have, in the aggregate, a Material Adverse Effect or the performance of which, either unconditionally or upon the happening of an event, would result in the creation of a Lien (other than a Lien created by, arising under or relating to the 10<sup>5</sup>/<sub>8</sub>% Senior Notes, or a Lien created by, arising under or relating to this Agreement, the Second Amended and Restated Receivables Purchase Agreement, or any other Transaction Document) on the assets of the Seller or (ii) subject to one or more charter or corporate restrictions that would, in the aggregate, have a Material Adverse Effect. The Seller is not in default under or with respect to any contractual obligation owed by it other than those defaults that, in the aggregate, would not have a Material Adverse Effect.

(x) No Event of Termination or Potential Event of Termination has occurred and is continuing.

(y) The Seller is not (a) an “investment company” or an “affiliated person” of, or “promoter” or “principal underwriter” for, an “investment company”, as such terms are defined in the Investment Company Act of 1940, as amended or (b) a “holding company” or an “affiliate” or a “subsidiary company” of a “holding company”, as each such term is defined and used in the Public Utility Holding Company Act of 2005, enacted as part of the Energy Policy Act of 2005, Pub. L. No. 109-58 as codified at §§ 1261 *et seq.*, and the regulations adopted thereunder, as amended.

(z) The proceeds of the sale of the Receivable Assets under this Agreement will be used for general corporate purposes.

(aa) All policies of insurance of any kind or nature of the Seller, including policies of life, fire, theft, product liability, public liability, property damage, other casualty, employee fidelity, workers’ compensation and employee health and welfare insurance, are in full force and effect and are of a nature and provide such coverage as is sufficient and as is customarily carried by businesses of the size and character of such Person. The Seller has not been refused insurance for any material coverage for which it had applied or had any policy of insurance terminated (other than at its request).

(bb) There are no strikes, work stoppages, slowdowns or lockouts pending or, to the Seller’s knowledge, threatened against or involving the Seller, other than those that, in the aggregate, would not have a Material Adverse Effect. There are no unfair labor practices, grievances, complaints or arbitrations pending, or, to the Seller’s knowledge, threatened, against or involving the Seller, other than those that, in the aggregate, would not have a Material Adverse Effect.

(cc) The operations of the Seller have been and are in compliance with all environmental laws, including obtaining and complying with all required environmental, health and safety permits, other than non-compliances that, in the aggregate, would not have a Material Adverse Effect. Neither the Seller nor any real property currently or, to the knowledge of the Seller, previously owned, operated or leased by or for the Seller is subject to any pending or, to the knowledge of the Seller, threatened, claim, order, agreement, notice of violation, notice of potential liability or is the subject of any pending or threatened proceeding or governmental investigation under or pursuant to any such laws, to the knowledge of the Seller, other than those that, in the aggregate, would not have a Material Adverse Effect.

(dd) The Seller owns or licenses or otherwise has the right to use all licenses, permits, patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, copyright applications, Internet domain names, franchises, authorizations and other intellectual property rights that are necessary for the operations of its business, without infringement upon or conflict with the rights of any other Person with respect thereto, including all trade names set forth on Schedule V hereto. To the Seller’s knowledge, no license, permit, patent, patent application, trademark, trademark application, service mark, trade name, copyright, copyright application, Internet domain name, franchise, authorization, other intellectual property right, slogan or other advertising device, product, process, method, substance, part or component, or other material now employed, or now contemplated to be employed, by the Seller infringes upon or conflicts with any rights owned by any other Person, and no claim or litigation regarding any of the foregoing is pending or, to the knowledge of the Seller, threatened.

## ARTICLE IV

### GENERAL COVENANTS OF THE SELLER

#### SECTION 4.01. Affirmative Covenants of Seller.

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Receivable Interest shall be existing and no Yield, Letter of Credit Obligations, fees or other amounts remain unpaid under this Agreement and the Second Amended and Restated Receivables Purchase Agreement, the Seller shall, unless the Buyer and the Agent (with the consent of the Required Purchasers) shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders with respect to it and all Receivable Assets and related Contracts, Related Security and Collections with respect thereto.

(b) Payment of Taxes, Etc. 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 the Seller shall not be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by appropriate proceedings and as to which appropriate reserves are being maintained.

(c) Maintenance of Insurance. 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 Seller operates with such deductibles or self-insured retentions as are in accordance with normal industry practice.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such qualification would materially adversely affect the interests of the Buyer, the Owners or the Agent hereunder, under the Second Amended and Restated Receivables Purchase Agreement or in the Receivable Assets and Related Security, or the ability of the Seller or the Buyer's Servicer to perform their respective obligations hereunder, under the Second Amended and Restated Receivables Purchase Agreement or under the Contracts; provided, however, that the Seller may consummate any amalgamation, merger or consolidation permitted under Section 4.02(i).

(e) Offices, Records and Books of Accounts.

(i) Keep its principal place of business and chief executive office and the offices where it keeps its Records concerning the Receivable Assets at the address of the Seller referred to in Section 3.01(j) or, upon at least thirty days' prior written notice to the Buyer and Agent, at any other location in a jurisdiction where all action required by Section 5.04(a) shall have been taken, and

(ii) maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Seller 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 Seller Receivables

(including, without limitation, records adequate to permit the daily identification of each Seller Receivable, the Outstanding Balance of each Seller Receivable and the dates which payments are due thereon and all Collections of and adjustments to each existing Seller Receivable).

(f) Performance and Compliance with Contracts and Credit and Collection Policy. At its expense, timely and fully (i) perform, or cause to be performed, and comply in all material respects with, or cause to be complied with in all material respects, all provisions, covenants and other promises required to be observed by it under the Contracts related to the Seller Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy in regard to the Seller Receivables and the related Contracts and (ii) as beneficiary of any Related Security, enforce such Related Security as reasonably requested by the Agent.

(g) Examination of Records; Audits.

(i) From time to time upon two (2) Business Days' prior notice (except that during the continuance of an Event of Termination, no such notice shall be required) and during regular business hours as requested by the Buyer or the Agent and at the expense of the Seller, permit the Buyer or the Agent, or their respective agents or representatives, (A) to examine and make copies of and abstracts from all Records in the possession or under the control of the Seller, its Affiliates or the agents of the Seller or its Affiliates, relating to Pool Receivables and the Related Security, including, without limitation, the related Contracts, and (B) to visit the offices and properties of the Seller, its Affiliates or the agents of the Seller or its Affiliates, for the purpose of examining such materials described in clause (A) above, and to discuss matters relating to Pool Receivables and the Related Security or the Seller's performance hereunder or under the Contracts with any of the officers or employees of the Seller having knowledge of such matters.

(ii) At any time and from time to time, upon the Buyer's or the Agent's request and at the expense of the Seller, the Seller shall cause independent public accountants or others satisfactory to the Buyer and the Agent, to furnish to the Buyer and the Agent, reports showing reconciliations, aging and test verifications of, and trial balances for, the Seller Receivables and/or a written report of an audit conducted by such accountants with respect to the Seller Receivables, Credit and Collection Policy, Lock-Box Account activity and the Seller's performance of its obligations under this Agreement and the Second Amended and Restated Receivables Purchase Agreement on a scope and in a form reasonably requested by the Buyer or the Agent, as the case may be, for such audit; provided, however, that unless an Event of Termination or Potential Event of Termination shall be continuing, the Buyer or the Agent shall request no more than one (1) such report during any calendar year.

(iii) The Seller shall conduct, or shall cause to be conducted, at its expense and upon request of the Buyer or the Agent, and present to the Buyer and the Agent for approval, such appraisals, investigations and reviews as the Buyer and the Agent shall request for the purpose of determining the Net Receivables Pool Balance, all upon notice and at such times during normal business hours and as often as may be reasonably requested. The Seller shall furnish to the Buyer and the Agent any information that the Buyer and the Agent may reasonably request regarding the determination and calculation of the Net Receivables Pool Balance including correct and complete copies of any invoices, underlying agreements, instruments or other documents and the identity of all Obligor in respect of Receivables referred to therein.

(h) Keeping of Records and Books of Account.

(i) Keep, or cause to be kept, proper books of record and account, which shall be maintained or caused to be maintained by the Seller and shall be separate and apart from those of any Affiliate of the Seller, in which full and correct entries shall be made of all financial transactions and the assets and business of the Seller in accordance with GAAP;

(ii) to the extent Records are in written form, segregate such Records in file cabinets or storage containers and appropriately label such file cabinets or storage containers to reflect that the Receivable Assets have been conveyed to the Buyer; and

(iii) to the extent such Records constitute computer programs and other non-written Records, appropriately legend such Records to reflect that the Receivable Assets have been conveyed to the Buyer.

(i) Deposits to Lock-Box Accounts. Instruct, or cause the Buyer's Servicer to instruct, all Obligors to make payments in respect of Seller Receivables to a Lock-Box Account and, if the Seller shall otherwise receive any Collections (including, without limitation, any Collections deemed to have been received by the Seller pursuant to Section 2.03), segregate and hold in trust such Collections and deposit such Collections, or cause such Collections to be deposited, to a Lock-Box Account within two (2) Business Days following such receipt.

(j) Reporting Requirements. Until the later of (x) the Termination Date and (y) the date upon which no Capital Investment for any Receivable Interest shall be existing and no Yield, Letter of Credit Obligations, fees or other amounts remain unpaid under this Agreement and the Second Amended and Restated Receivables Purchase Agreement, the Seller will, unless the Buyer and the Agent (with the consent of the Required Purchasers) shall otherwise consent in writing, furnish to the Buyer and the Agent:

(i) Monthly Reports. Within 35 days after the end of each of the first 11 fiscal months in each Fiscal Year, financial information regarding the Seller and its Subsidiaries consisting of Consolidated unaudited balance sheets as of the close of such month and the related statements of income and cash flow for such month and that portion of the current Fiscal Year ending as of the close of such month, in each case certified by the chief financial officer, treasurer or other Responsible Officer acceptable to the Agent of such Seller as fairly presenting the Consolidated financial position of the Seller and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated and recorded in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments) and in form reasonably acceptable to the Agent.

(ii) Annual Reports. Within 95 days after the end of each Fiscal Year, financial information regarding the Seller and its Subsidiaries consisting of Consolidated balance sheets of the Seller and its Subsidiaries as of the end of such year and related statements of income and cash flows of the Seller and its Subsidiaries for such Fiscal Year, all prepared in conformity with GAAP and certified, in the case of such Consolidated financial statements, without qualification, including, without limitation, as to the scope of the audit or as to the Seller being a going concern by the Seller's independent public accountants, together with the report of such accounting firm stating that (A) such financial statements fairly present the Consolidated financial position of the Seller and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except for changes with which the Seller's independent public accountants shall concur

and that shall have been disclosed in the notes to the financial statements) and (B) the examination by the Seller's independent public accountants in connection with such Consolidated financial statements has been made in accordance with generally accepted auditing standards, and accompanied by a certificate stating that in the course of the regular audit of the business of the Seller and its Subsidiaries such accounting firm has obtained no knowledge that a Potential Event of Termination or Event of Termination has occurred and is continuing, or, if in the opinion of such accounting firm, a Potential Event of Termination or Event of Termination has occurred and is continuing, a statement as to the nature thereof.

(iii) Notice of Event of Termination. As soon as possible and in any event within two (2) Business Days after a Responsible Officer of the Seller first becomes aware of each Event of Termination or Potential Event of Termination continuing on the date of such statement, a statement of a Responsible Officer of the Seller setting forth details of such Event of Termination or Potential Event of Termination and the action which the Seller has taken and proposes to take with respect thereto.

(iv) Proceedings. Promptly after the commencement thereof, notice of all actions and proceedings before any court or governmental agency or arbitrator or other authority affecting the Seller of the type described in Section 3.01(e).

(v) Business Plan. Not later than the earlier of (i) 15 days after PolyOne has received the approval of its board of directors therefor and (ii) 90 days after the commencement of each Fiscal Year: (A) the annual business plan of PolyOne and its Subsidiaries for such Fiscal Year approved by the Board of Directors of PolyOne, (B) forecasts prepared by management of PolyOne for each fiscal month in such Fiscal Year and (C) forecasts prepared by management of PolyOne for such Fiscal Year and each of the succeeding Fiscal Years through the Termination Date, including, in each instance described in clauses (B) and (C) above, (x) a projected year-end Consolidated balance sheet and income statement and statement of cash flows, (y) a statement of all of the material assumptions on which such forecasts are based and (z) containing the types of financial information contained in the Amended and Restated Projections.

(vi) Public and Creditors' Reports. Promptly after the sending or filing thereof, copies of (A) all reports the Seller sends to its security holders generally, (B) all reports and registration statements that the Seller or any of its Subsidiaries files with the Securities and Exchange Commission or any national or foreign securities exchange or the National Association of Securities Dealers, Inc., (C) all press releases and other statements concerning material changes or developments in the business of the Seller made available by the Seller or any of its domestic Subsidiaries to the public or any other creditor.

(vii) Other. Upon demand, such other information, documents, records or reports respecting the Seller Receivables, the Related Security, the Contracts or the condition or operations, financial or otherwise, of the Seller as the Buyer or the Agent may from time to time reasonably request.

(k) Subsidiaries. Maintain the status of each of PolyOne Canada, each other Originator (if any) and the Buyer as wholly owned subsidiaries of PolyOne.

(l) Conduct of Business. Conduct its business consistent with past practice and use its reasonable efforts, in the ordinary course and consistent with past practice, to preserve its business and the goodwill and business of its customers, advertisers, suppliers and others having business relations

with the Seller, except where the failure to do so would not, in the aggregate, have a Material Adverse Effect.

(m) Transaction Documents. At its expense, timely and fully perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under each of the Transaction Documents, maintain each of the Transaction Documents to which it is a party in full force and effect, enforceable in accordance with its terms, take all such action to such end as may be from time to time reasonably requested by the Agent, and make to any party to each of the Transaction Documents such demands and requests for information and reports or for action as the Seller is entitled to make thereunder and as may be from time to time reasonably requested by the Agent.

**SECTION 4.02. Negative Covenants of The Seller.**

Until the later of (i) the Termination Date and (ii) the date on which no Capital Investment of any Receivable Interest shall be existing and no Yield, Letter of Credit Obligations, fees or other amounts remain unpaid under this Agreement or the Second Amended and Restated Receivables Purchase Agreement, the Seller shall not, without the prior written consent of the Buyer and the Agent (with the consent of the Required Purchasers):

(a) Sales, Adverse Claims, Etc. Except as otherwise provided herein, 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 upon or with respect to, any Receivable Asset, or upon or with respect to any related Contract or any deposit account to which any Collections of any Seller Receivables are sent (including, without limitation, any Lock-Box Account), or assign any right to receive income in respect thereof; provided, however, that the Seller may, with the prior written consent of the Agent, sell or assign such Receivable Asset, related Contract or deposit account in respect thereof for consideration consisting solely of cash.

(b) Extension or Amendment of Receivables. Except as otherwise permitted in the Second Amended and Restated Receivables Purchase Agreement, extend, amend or otherwise modify the terms of any Seller Receivable, or amend, modify or waive any term or condition of any Contract related thereto.

(c) Change in Business or Credit and Collection Policy. Make any change in the character of its business or in the Credit and Collection Policy that would, in either case, be reasonably likely to impair the collectibility of the Seller Receivables.

(d) Change in Payment Instructions to Obligors. Add or terminate any bank as a Lock-Box Bank, or any deposit account as a Lock-Box Account, from those listed in Schedule I, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box Account, unless the Agent shall have received at least 20 days' prior written notice of such addition, termination or change and shall have received, with respect to each new Lock-Box Account, a Lock-Box Agreement executed by the Lock-Box Bank that maintains such Lock-Box Account and the Seller.

(e) Deposits to Lock-Box Accounts. Deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than Collections of Seller Receivables.

(f) Change of Name, Etc. Change its name, identity, form of legal structure or jurisdiction of its organization, unless, prior to the effective date of any such change, the Seller delivers to the Buyer and the Agent (i) UCC financing statements necessary to reflect such change and to continue

the perfection of the Buyer's ownership interests in the Receivable Assets sold, transferred and assigned hereunder, and (ii) if the identity or structure of the Seller has changed and such change adversely affects the rights of the Agent under then existing Lock-Box Agreements with the Seller to take control of the Lock-Box Accounts pursuant to Section 6.03(a), new Lock-Box Agreements executed by the Seller and the Lock-Box Banks to the extent necessary to reflect such changes and to continue to enable the Agent to exercise such rights.

(g) Accounting of Purchases. Account for (including for accounting and tax purposes) or otherwise treat the transactions contemplated by this Agreement or prepare any financial statements which shall account for the transactions contemplated hereby, in each case, in any manner other than the sale of the Receivable Assets by the Seller to the Buyer or in any other respect account for or treat the transactions contemplated hereby (including but not limited to accounting purposes, but excluding tax reporting purposes) in any manner other than as a sale of the Receivable Assets by the Seller to the Buyer.

(h) Voluntary Petitions. Cause the Buyer to file a voluntary petition under the U.S. Bankruptcy Code or any other bankruptcy or insolvency laws so long as the Buyer is not "insolvent" within the meaning of the U.S. Bankruptcy Code, and unless, and only unless, such filing has been authorized in accordance with the Buyer's charter and by-laws.

(i) Mergers, Etc. Enter into a transaction of consolidation, merger or amalgamation with any Person unless (i) before and after giving effect on a pro forma basis to such consolidation, merger or amalgamation, no event shall have occurred and be continuing, or would result from such consolidation, merger or amalgamation, that constitutes an Event of Termination or Potential Event of Termination and (ii) such Person is not the Buyer and either (A) the Seller shall survive such consolidation or merger or (B) such other corporation or entity formed by such consolidation or into which the Seller shall be merged or amalgamated shall assume, in a writing on terms reasonably satisfactory to the Buyer and the Agent, all of the Seller's rights, obligations and liabilities under the Transaction Documents and all the other instruments or documents delivered or to be delivered thereunder.

(j) Maintenance of Separate Existence. Take any action, or omit to take any action, if the effect is to cause the Buyer to fail to perform or observe in any material respect the covenants contained in Sections 5.01(h) and (i) of the Second Amended and Restated Receivables Purchase Agreement or to otherwise cause the Buyer not to be considered as legal entity separate and distinct from the Seller.

(k) Organization. Change its capital structure (including, without limitation, redeeming, repurchasing or changing the terms of, its outstanding Stock) or otherwise amend its charter, code of regulations or by-laws; or cause or permit the Buyer's charter or by-laws to be amended, supplemented or otherwise modified.

(l) Capital Stock. Cause or permit to be issued to, or cause or permit to be transferred to, any Person (other than the Seller or any wholly-owned direct or indirect Subsidiary thereof) any shares of the Buyer's Stock; or create or suffer to exist any Lien upon or with respect to any of the Buyer's Stock.

(m) Accounting. Change its (i) accounting treatment and reporting practices or tax reporting treatment, except as required by GAAP or any Requirement of Law and disclosed to the Purchasers and the Agent, or (ii) fiscal year.



(n) Asset Sales. Except as otherwise provided herein, sell, convey, transfer, lease or otherwise dispose of, any of its assets or any interest therein (including the sale or factoring at maturity or collection of any accounts), whether in single transactions, or a series of related transactions, to any Person, or permit or suffer any other Person to acquire any interest in any of its assets except:

(i) the sale or other disposition of inventory in the ordinary course of business;

(ii) the sale or other disposition of assets or any interest therein having a Fair Market Value that is less than (x) \$250,000 individually and (y) \$2,000,000 in the aggregate for all such dispositions; and

(iii) dispositions of assets or interests therein not otherwise permitted above so long as (w) no Potential Event of Termination or Event of Termination is continuing or would result therefrom, (x) such sale or other transfer is for Fair Market Value, (y) if such asset or interest has a Fair Market Value of \$10,000,000 or more, or if when aggregated with all such assets or interest previously sold at any time after the Amendment and Restatement Effective Date, conveyed, transferred, leased or disposed, \$25,000,000 or more, 50% of the proceeds of such sale or transfer (or such series of related sales or transfers) are payable in cash to the Servicer upon the consummation of each such sale or transfer, and (z) if the Fair Market Value of such asset is in excess of \$25,000,000, the Board of Directors of the Servicer has approved such sale.

(o) Liens, Etc. Create or suffer to exist any Lien upon or with respect to any of its respective properties or assets, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries (other than the Buyer) to assign, any right to receive income, except for the following:

(i) Liens created by, pursuant to, arising under or relating to this Agreement, the Second Amended and Restated Receivables Purchase Agreement or any other Transaction Document;

(ii) [subject to the Intercreditor Agreement, Liens created by, arising under or relating to the 10<sup>5</sup>/<sub>8</sub>% Senior Notes;]

(iii) Liens existing on the date hereof; *provided, however*, that such Liens shall not be permitted with respect to any Receivable Assets unless such Liens arise under, were created by or were incurred pursuant to any of the Prior Sale Agreement, the Prior Agreement, this Agreement, the Second Amended and Restated Receivables Purchase Agreement or any other Transaction Document; and

(iv) statutory liens and other liens created in the ordinary course of business.

(p) Transactions with Affiliates. Except as otherwise contemplated by this Agreement, the Second Amended and Restated Receivables Purchase Agreement, or any Transaction Document: (i) make any Investment in an Affiliate of the Seller that is not a Subsidiary of the Seller; (ii) transfer, sell, lease, assign or otherwise dispose of any asset to any Affiliate of the Seller that is not a Subsidiary of the Seller; (iii) merge into or consolidate or amalgamate with or purchase or acquire assets from any Affiliate of the Seller that is not a Subsidiary of the Seller; or (iv) prepay any Indebtedness to any Affiliate of the Seller that is not a Subsidiary of the Seller.

(q) Speculative Transactions. Engage in any transaction involving hedging contracts or other similar speculative transactions except for the sole purpose of hedging in the normal course of business and consistent with industry practices.

## ARTICLE V

### ADMINISTRATION AND COLLECTION

#### SECTION 5.01. Designation of Buyer's Servicer.

The Seller Receivables shall be serviced, administered and collected by the Person (the "Buyer's Servicer") designated from time to time to perform the duties of the Servicer under the Second Amended and Restated Receivables Purchase Agreement in accordance with Section 6.01 of the Second Amended and Restated Receivables Purchase Agreement, and shall be serviced, administered and collected by the Buyer's Servicer in the manner set forth in Section 6.02 of the Second Amended and Restated Receivables Purchase Agreement (including by subcontracting to any Originator pursuant to Section 6.01 of the Second Amended and Restated Receivables Purchase Agreement. Until the Agent designates a new Servicer in accordance with Section 6.01 of the Second Amended and Restated Receivables Purchase Agreement, PolyOne is hereby designated to act as, and PolyOne hereby agrees to perform the duties and obligations of, the Buyer's Servicer hereunder.

#### SECTION 5.02. Rights of the Buyer and the Agent.

(a) Each of the Buyer and the Agent acting together or alone may notify the Obligors of Seller Receivables, at any time and at the Seller's expense, of the Buyer's interest in the Seller Receivables and the ownership of Receivable Interests by the Owners. The Seller hereby 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 any further action that the Agent may reasonably request to effect such transfer.

(b) At any time:

(i) Each of the Buyer and the Agent acting together or alone may, at the expense of the Seller, direct the Obligors of the Seller Receivables, or any of them, to make payment of all amounts due or to become due to the Seller under Seller Receivables directly to the Agent or its designee.

(ii) The Seller shall, at the Buyer's or the Agent's request and at the Seller's expense, give notice of such ownership to such Obligors and direct them to make such payments directly to the Agent or its designee.

(iii) The Seller shall, at the Buyer's or the Agent's request and at the Seller's expense, (A) assemble all of the Records that evidence or relate to the Receivable Assets, and shall make the same available to the Agent at a place reasonably 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 Seller Receivables in a manner reasonably acceptable to the Agent and, 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) The Agent may take any and all reasonably commercial steps in the name of the Seller and on behalf of the Seller, the Buyer and the Owners that are necessary or desirable, in the determination of the Agent, to collect amounts due under the Seller Receivables, including, without limitation, endorsing the Seller's name on checks and other instruments representing Collections of Seller Receivables and enforcing the Seller Receivables and the Related Security

and related contracts, and adjusting, settling or compromising the amount or payment thereof, in the same manner and to the same extent as the Seller might have done.

**SECTION 5.03. Responsibilities of the Seller.**

Anything herein to the contrary notwithstanding:

(a) The Seller shall perform its obligations under the Contracts related to the Seller Receivables to the same extent as if the Receivable Assets had not been sold and the exercise by the Buyer or the Agent of its rights hereunder or under the Second Amended and Restated Receivables Purchase Agreement shall not release the Buyer's Servicer or the Seller from any of its duties or obligations with respect to any Seller Receivables or under the related Contracts; and

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

**SECTION 5.04. Further Actions Evidencing Purchases.**

(a) The Seller agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary, or that the Buyer or the Agent may reasonably request, to perfect, protect or more fully evidence the sale, transfer and assignment of Receivable Assets by the Seller to the Buyer hereunder and the Receivable Interests purchased by the Owners under the Second Amended and Restated Receivables Purchase Agreement, or to enable any of them or the Agent to exercise and enforce their respective rights and remedies hereunder or under the Second Amended and Restated Receivables Purchase Agreement. Without limiting the foregoing, the Seller will, upon the request of the Buyer or the Agent, in order to perfect, protect or evidence such sales, transfers and assignments and such Receivable Interests: (i) execute, authenticate and/or file such financing or continuation statements or amendments thereto, and such other instruments and documents, that may be necessary, or that the Buyer or the Agent may reasonably request; (ii) mark conspicuously each invoice evidencing each Seller Receivable and the related Contract with a legend, acceptable to the Buyer or the Agent, as applicable, evidencing that such Seller Receivables have been sold, transferred and assigned to the Buyer in accordance with this Agreement; and (iii) mark its master data processing records evidencing such Seller Receivables and related Contracts with such legend.

(b) The Seller hereby authorizes each of the Buyer and the Agent acting together or alone (upon prior written notice to the Seller) to file one or more financing or continuation statements and amendments thereto relating to all or any of the Receivable Assets without the signature of the Seller where permitted by law. A photocopy or other reproduction of this Agreement shall be sufficient as a financing statement or other applicable filing where permitted by law.

(c) If PolyOne in its capacity as Buyer's Servicer fails to perform any of its obligations hereunder, the Buyer or the Agent may, upon prior written notice to PolyOne, itself perform, or cause performance of, such obligation, and the reasonable costs and expenses of the Agent or the Buyer incurred in connection therewith shall be payable by the Seller under Section 6.01 or 7.04, as applicable.

**ARTICLE VI**  
**INDEMNIFICATION**

**SECTION 6.01. Indemnities by the Seller.**

Without limiting any other rights that any Indemnified Party may have hereunder or under applicable law, and whether or not any of the transactions contemplated hereby are consummated, the Seller hereby agrees to indemnify each Indemnified Party from and against, and hold each thereof harmless from, any and all claims, losses, liabilities, costs and expenses of any kind whatsoever (including, without limitation, reasonable attorneys' fees and expenses) (all of the foregoing being collectively referred to as "Indemnified Amounts") arising out of, or resulting from, in whole or in part, the activities of the Seller in connection herewith or with any other Transaction Document or the use of proceeds of sales, transfers and assignments of Receivable Assets hereunder; excluding, however, Indemnified Amounts to the extent resulting solely and directly from either (x) the gross negligence or willful misconduct on the part of such Indemnified Party, or (y) the failure to collect amounts in respect of a Seller Receivable to the extent such failure results from a discharge of the Obligor with respect thereto in a proceeding in respect of such Obligor under applicable bankruptcy laws or otherwise results from the Obligor's financial inability to pay such amounts. Without limiting or being limited by the foregoing and whether or not any of the transactions contemplated hereby are consummated, the Seller shall pay on demand to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts which relate to or result from, or which would not have occurred but for, one or more of the following:

- (i) any Receivable becoming a Seller Receivable which is not at the date of its sale, transfer and assignment hereunder an Eligible Receivable;
- (ii) any representation or warranty or statement made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement or any other Transaction Document or any Receivables Activity Report, Seller Report, Receivables Report or other document delivered or to be delivered by the Seller in connection herewith or with any other Transaction Document being incorrect in any material respect when made or deemed made or delivered;
- (iii) the failure by the Seller to comply with any applicable law, rule or regulation or the related Contract or any Related Security with respect thereto; or the failure, as a result of any action or omission of the Seller, of any Seller Receivable or the related Contract or any Related Security with respect thereto to conform to any such applicable law, rule or regulation;
- (iv) the failure by any action or inaction of the Seller to vest in the Buyer a first priority perfected 100% ownership interest in each Seller Receivable and the Related Security and Collections in respect thereof, free and clear of any Adverse Claim;
- (v) the failure of the Seller to have filed, or any delay by the Seller 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 Seller Receivable and the Related Security and Collections in respect thereof, whether at the time of the initial sale, transfer and assignment hereunder or at any subsequent time;
- (vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of any Obligor with or against the Seller to the payment of any Seller Receivable

(including, without limitation, any defense based on the fact or allegation that such Receivable or the related Contract is not 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 by the Seller of the goods or services related to such Receivable or the Seller's furnishing or failure to furnish such goods or services;

(vii) any failure of PolyOne, as Buyer's Servicer, Servicer, or otherwise, to perform its duties, obligations or covenants under and in accordance with this Agreement or any other Transaction Document or to perform its duties or obligations under any Contract;

(viii) any product liability, personal injury, copyright infringement, theft of services, property damage, or other breach of contract, antitrust, unfair trade practices or tortious claim arising out of or in connection with any action or omission of the Seller and the subject matter of any Contract or out of or in connection with any transaction contemplated by this Agreement, any other Transaction Document or any other instrument or document furnished pursuant hereto or such Contract;

(ix) the commingling by the Seller of Collections of Seller Receivables at any time with other funds;

(x) any action or omission by the Seller, whether as Servicer or otherwise, reducing or impairing the rights of the Buyer hereunder or of any Owner of a Receivable Interest under the Second Amended and Restated Receivables Purchase Agreement, any other Transaction Document or any other instrument or document furnished pursuant hereto or thereto or with respect to any Seller Receivable;

(xi) any cancellation or modification of a Seller Receivable originally owed to the Seller, the related Contract or any Related Security, whether by written agreement, verbal agreement, acquiescence or otherwise;

(xii) (A) any investigation, litigation or proceeding related to or arising from this Agreement, any other Transaction Document or any other instrument or document furnished pursuant thereto, or any transaction contemplated by this Agreement or any Contract, or the ownership of, or other interest in, any Seller Receivable the related Contract or Related Security, excluding, however, Indemnified Amounts to the extent resulting from a claim of any Indemnified Party that does not arise out of or result from any action or omission of the Seller or (B) the use by the Seller of proceeds of any sale, transfer and assignment of any Receivable Asset hereunder;

(xiii) the existence of any Adverse Claim against or with respect to any Seller Receivable the related Contract, Related Security or Collections and resulting from any act or omission of the Seller;

(xiv) any failure by the Seller to pay when due any taxes, including without limitation sales, excise, or personal property taxes, payable by the Seller in connection with any Seller Receivable or the related Contract or any Related Security with respect thereto;

(xv) any claim brought by any Person other than an Indemnified Party arising from any action or omission of by the Seller or any Affiliate of the Seller (other than the Buyer) in servicing, administering or collecting any Seller Receivable;

(xvi) any failure by any Lock-Box Bank holding a Lock-Box Account in the name of the Seller to comply with the terms of the Lock-Box Agreement to which such Lock-Box Bank is a party; or

(xvii) to the extent not covered by the foregoing clauses, the occurrence and continuance of any Event of Termination resulting from an act or omission of the Seller other than an Event of Termination arising under Section 7.01(f) of the Second Amended and Restated Receivables Purchase Agreement.

## ARTICLE VII MISCELLANEOUS

### SECTION 7.01. Amendments, Etc.

No amendment or waiver of any provision of this Agreement or consent to any departure by the Seller or the Buyer therefrom shall be effective unless in a writing and signed by the Agent pursuant to the terms of the Second Amended and Restated Receivables Purchase Agreement and, in the case of any such waiver or consent, the party against which the waiver or consent is to be enforced or, in the case of any such amendment, the Buyer and the Seller, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Buyer, any Owner or the Agent 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.

### SECTION 7.02. Notices, Etc.

All notices and other communications hereunder shall, unless otherwise stated herein, be in writing (including telegraphic, telecopy or telex communication) and mailed, telegraphed, telexed or delivered, to each party hereto, at 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. All such notices and communications shall, when mailed, telegraphed, telexed or telexed, be effective when received by the Buyer or the Agent, as applicable.

### SECTION 7.03. Binding Effect; Assignability.

This Agreement shall become effective when it shall have been executed by the Seller (including PolyOne as the Buyer's Servicer) and the Buyer and acknowledged by the Agent, and thereafter shall be binding upon and inure to the benefit of the Seller, the Buyer, the Agent, and each other Indemnified Party and their respective successors and assigns, except that the Seller shall not have the right to assign its rights or obligations hereunder or any interest herein without the prior written consent of the Buyer and the Agent and each Purchaser, and the Buyer shall not have the right to assign its rights or obligations hereunder or any interest herein except pursuant to the Second Amended and Restated Consent and Agreement. This Agreement shall create and constitute the continuing obligation of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Termination Date; provided, however, that rights and remedies with respect to the provisions of Article VI and Sections 2.03, 7.04, 7.05, 7.06 and 7.14 shall be continuing and shall survive any termination of this Agreement.

SECTION 7.04. Costs, Expenses and Taxes

(a) In addition to the rights of indemnification granted under this Agreement, the Seller agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery and administration (including periodic auditing of Receivables) of, and searches and filings in respect of, this Agreement, the other Transaction Documents and the other documents and agreements to be delivered hereunder or thereunder, and costs and expenses, if any, incurred by the Buyer under Section 11.04 of the Second Amended and Restated Receivables Purchase Agreement, including, without limitation, in each case, the reasonable fees and disbursements of counsel for the Agent and the Purchasers with respect thereto and advising the Agent as to its rights and remedies hereunder. The Seller further agrees to pay on demand all costs and expenses, if any (including, without limitation, reasonable counsel fees and disbursements) of each Owner, the Agent or any Affiliate thereof, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the other Transaction Documents and the other instruments and documents to be delivered in connection herewith or therewith.

(b) In addition, the Seller 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 from the execution, delivery or registration of, or otherwise with respect to, this Agreement, any other Transaction Document, or any other document or instrument delivered in connection herewith or therewith (but excluding income taxes, such non-excluded taxes being hereinafter referred to as "Other Taxes"). The Seller shall indemnify each Indemnified Party for and hold it harmless against the full amount of Other Taxes (including, without limitation, any taxes imposed by any jurisdiction on amounts payable under this Section 7.04(b)) imposed on or paid by such Indemnified Party and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto whether or not such Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Indemnified Party makes written demand therefor (with a copy to the Agent).

SECTION 7.05. Non-Business Days.

In any case where any payment or action is due under this Agreement on a day which is not a Business Day, such payment or action may be made on the next succeeding Business Day, but such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be.

SECTION 7.06. Confidentiality.

(a) Each of the Seller and the Buyer hereby agrees that each of the Seller and Buyer (and each of their respective, and their respective Affiliates' employees, officers, directors, agents and advisors) is, and has been from the commencement of discussions with respect to the receivables program established hereunder, permitted to disclose to any and all Persons, without limitation of any kind, the structure and tax aspects (as such terms are used in Code Sections 6011, 6111 and 6112 and the regulations promulgated thereunder) of the receivables program established hereunder, and all materials of any kind (including opinions or other tax analyses) that are or have been provided to each of the Seller and Buyer related to such structure and tax aspects. In this regard, each of the Seller and Buyer acknowledges and agrees that its disclosure of the structure or tax aspects of the receivables program established hereunder is not limited in any way by an express or implied understanding or agreement, oral or written (whether or not such understanding or agreement is legally binding). Furthermore, each of the Seller and Buyer acknowledges and agrees that it does not know or have reason to know that its use or disclosure of information relating to the structure or tax aspects of the receivables program established

hereunder is limited in any other manner (such as where the receivables program established hereunder is claimed to be proprietary or exclusive) for the benefit of any other Person. To the extent that disclosure of the structure or tax aspects of the receivables program established hereunder by each of the Seller or Buyer is limited by any existing agreement between the Seller or Buyer, such limitation is agreed to be void ab initio and such agreement is hereby amended to permit disclosure of the structure and tax aspects of the receivables program established hereunder as provided in this clause (a).

(b) Subject to clause (a) of this Section 7.06, except to the extent otherwise required by applicable law, rule, regulation or judicial process, each of the parties hereto agrees to maintain the confidentiality of this Agreement, the Second Amended and Restated Receivables Purchase Agreement, the Second Amended and Restated Consent and Agreement, the Second Amended and Restated Letter of Credit Agreement, the Second Amended and Restated Fee Letter (and all drafts thereof) and all non-public information delivered in connection herewith in communications with third parties and otherwise; provided, however, that (i) in the case of the Second Amended and Restated Receivables Purchase Agreement, such information may be disclosed to third parties to the extent such disclosure is (A) limited in scope to the provisions of Article V, VII and X of the Second Amended and Restated Receivables Purchase Agreement and, to the extent defined terms are used in Article V, VII and X, such terms defined in Article I of the Second Amended and Restated Receivables Purchase Agreement and (B) made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Agent and (ii) in the case of this Agreement, the Second Amended and Restated Consent and Agreement, the Second Amended and Restated Letter of Credit Agreement, the Second Amended and Restated Fee Letter (and all drafts thereof) and all non-public information delivered in connection herewith in communications with third parties and otherwise, such information may be disclosed to third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Agent; provided, further, that this Agreement, the Second Amended and Restated Receivables Purchase Agreement, the Second Amended and Restated Consent and Agreement, the Second Amended and Restated Letter of Credit Agreement and the Second Amended and Restated Fee Letter (and all drafts thereof) may be disclosed (A) to each party's, the Agent's and each Owner's legal counsel, accountants and auditors on a confidential basis, (B) to any rating agency, (C) to any regulatory authority having jurisdiction over the Seller, the Buyer, the Agent or an Owner and (D) pursuant to court order or subpoena; provided, further, that each party 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 such party.

SECTION 7.07. Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7.08. Consent to Jurisdiction.

(a) Each of the Seller and the Buyer 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 any of the other Transaction Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the Seller and the Buyer 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 of the Seller and the Buyer hereby agrees that service of process in any such action or proceeding may be effected by mailing a summons and complaint to it at its address specified in Section 7.02 by registered mail, return receipt requested, or in any other



manner permitted by applicable law. Each of the Seller and the Buyer agrees that a final, non-appealable, 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. 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 any of the other Transaction Documents in the courts of any other jurisdiction.

(b) Each of the Seller and the Buyer 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 any of the other Transaction Documents to which it is a party 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 7.09. Execution in Counterparts.**

This Agreement may be executed in any number of 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 by telecopier of an executed counterpart of a signature page to this Agreement shall be effective as delivery of an original executed counterpart of this Agreement.

**SECTION 7.10. Intent of the Parties, etc.**

As provided in Section 2.01(b), the parties to this Agreement intend that the transaction contemplated by this Agreement shall be, and shall be treated as, a purchase by the Buyer and a sale by the Seller of Receivable Assets and not as a lending transaction. Recognizing the risk that, notwithstanding the parties' intent, a court deciding the issue might recharacterize the Receivable Asset transfers contemplated hereby as a secured lending transaction, it is the intention of the parties hereto, in the event of such recharacterization, that this Agreement shall constitute a security agreement under applicable law, and that the Seller shall be deemed to have granted to the Buyer a duly perfected first priority security interest in all of the Seller's right, title and interest in such Receivable Assets, whether now owned or hereafter acquired, and all cash and non-cash proceeds in respect thereof, free and clear of Adverse Claims. In contemplation of such risk (but only for such purpose), (a) the Seller hereby grants to the Buyer a duly perfected first priority security interest in all of the Seller's right, title and interest in, to and under the Receivable Assets, whether now owned or hereafter acquired, and all cash and non-cash proceeds in respect thereof and (b) if the Seller shall have taken any action, or suffered any event to occur, of the type described in Section 7.01(f) of the Second Amended and Restated Receivables Purchase Agreement, all of the obligations of the Seller under this Agreement 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 the Seller.

**SECTION 7.11. Entire Agreement.**

This Agreement and the other Transaction Documents to which the parties hereto are party contain a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, written or oral, relating to the subject matter hereof.

SECTION 7.12. Severability of Provisions.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 7.13. Waiver of Jury Trial.

Each of the parties hereto 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 any of the other Transaction Documents or the actions of the Agent or any Indemnified Party in the negotiation, administration, performance or enforcement hereof or thereof.

SECTION 7.14. No Proceedings.

(a) The Seller hereby agrees that it will not institute against the Buyer or the Purchasers any proceeding of the type referred to in Section 7.01(f) of the Second Amended and Restated Receivables Purchase Agreement so long as there shall not have elapsed one year plus one day since the later of the (i) the Termination Date and (ii) the date upon which no Capital Investment for any Receivable Interest shall be existing and no Yield, Letter of Credit Obligations, fees or other amounts remain unpaid under this Agreement and the Second Amended and Restated Receivables Purchase Agreement.

(b) Each of the Seller and the Buyer hereby agrees that, in connection with this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, none of the Indemnified Parties shall be liable to the Seller or the Buyer (except to the extent of such Indemnified Party's own gross negligence or willful misconduct) or have any liability for any special, indirect, consequential or punitive damages.

[Remainder of page intentionally left blank.]

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

POLYONE CORPORATION,  
as Buyer's Servicer and the Seller

By: \_\_\_\_\_

Name: John Rastetter  
Title: Treasurer

33587 Walker Road  
Avon Lake, Ohio 44012

Attention: Treasurer

Telephone No.: (440) 930-3105  
Telecopier No.: (440) 930-1839

[ SECOND AMENDED AND RESTATED RECEIVABLES SALE AGREEMENT ]

---

POLYONE FUNDING CORPORATION,  
as Buyer

By: \_\_\_\_\_

Name: John Rastetter

Title: President

33587 Walker Road  
Avon Lake, Ohio 44012

Attention: President

Telephone No.: (440) 930-3105

Telecopier No.: (440) 930-1839

[ SECOND AMENDED AND RESTATED RECEIVABLES SALE AGREEMENT ]

---

Acknowledged as of the date first above written:

CITICORP USA, INC.,  
as Agent

By: \_\_\_\_\_

Name: David Jaffe

Title: Vice President/Director

388 Greenwich Street  
19th Floor  
New York, New York 10013

Attention: David Jaffe

Telephone No.: (212) 816-2329

Telecopier No.: (212) 816-2613

[ SECOND AMENDED AND RESTATED RECEIVABLES SALE AGREEMENT ]

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**FORM OF  
RECEIVABLES ACTIVITY REPORT**

Date: \_\_\_\_\_, 200

Reference is made to the Receivables Sale Agreement dated as of July , 2007 (the "Agreement") among POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as a Seller, POLYONE FUNDING CORPORATION, a Delaware corporation, as Buyer. Terms defined in the Agreement are used herein as therein defined.

The undersigned Seller hereby certifies to the Agent that, as of the close of business on the date set forth above: (i) [s]he is the [title] of the Seller; (ii) the information contained in Exhibit A to this Receivables Activity Report is true and correct in all material respects; and (iii) the information contained in Exhibit A to this Receivables Activity Report does not contain any untrue statement of a material fact and does not omit to state, as of the date hereof and as of the date so furnished, a material fact necessary in order to make the statements contained herein, in light of the circumstances under which they are made, not misleading.

As of the date of this Receivables Activity Report, no Potential Event of Termination or Event of Termination exists or has occurred and is continuing.

[NAME OF SELLER]

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A to  
SELLER'S REPORT**

Date: \_\_\_\_\_, 200

Receivables Activity

1	Total of newly created Pool Receivables during the Month	\$	_____
2	Purchase Price (product of line 1 and the discount percentage of _____%)	\$	_____

Payments

3	Total dollar amount (including, without limitation, Collections) transferred to the Seller under the Agreement during the Month <i>plus</i> any credit from the preceding month	\$	_____
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Subtract line 3 from line 2. If the result is positive, such amount is the Seller's purchase price for the Month. If the result is negative, such amount shall be a credit to be applied in the next succeeding month.

4	Seller's purchase price	\$	_____
	or		
5	Credit to be applied to next month	\$	_____

Reconciliation

If the result of the above calculations was positive, then such Seller's purchase price was paid as follows:

6	Cash transferred to Seller	\$	_____
7	Adjustment to Seller's Subordinated Note	\$	_____
8	Capital contributed by Seller (PolyOne only)	\$	_____

THE INDEBTEDNESS EVIDENCED BY THIS INSTRUMENT IS  
SUBORDINATED TO THE PRIOR PAYMENT IN FULL IN CASH OF ALL OF  
THE SENIOR DEBT (AS DEFINED BELOW) PURSUANT TO, AND TO THE EXTENT  
PROVIDED HEREIN.

SECOND AMENDED AND RESTATED SUBORDINATED NOTE

\_\_\_\_\_, 2007

FOR VALUE RECEIVED, the undersigned, POLYONE FUNDING CORPORATION, a Delaware corporation (the "**Buyer**"), hereby unconditionally promises to pay to the order of POLYONE CORPORATION., a corporation organized and existing under the laws of Ohio (the "**Seller**"), in lawful money of the United States of America in immediately available funds the principal amount outstanding on June , 2012 (the "**Maturity Date**"), in respect of indebtedness incurred by the Buyer representing any portion of the Seller's Initial Purchase Price or any Purchase Price of the Receivable Assets purchased from time to time by the Buyer from the Seller pursuant to the Second Amended and Restated Receivables Sale Agreement dated as of June , 2007, as it may be amended, supplemented and otherwise modified from time to time (the "**Second Amended and Restated Receivables Sale Agreement**"), among the Seller, the Buyer and the other parties thereto and acknowledged by Citicorp USA, Inc. ("**Citicorp**"), as administrative agent (in such capacity, the "**Agent**"). Subject to the terms of subordination herein contained the Buyer may, at its option, prepay this Note in whole or in part at any time and from time to time from and after the date hereof; *provided, however*, that in no event shall the holder hereof have any right to demand any payment of principal hereunder prior to the Maturity Date.

Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Second Amended and Restated Receivables Sale Agreement or the Second Amended and Restated Receivables Purchase Agreement (as defined below), as the case may be.

The Buyer further agrees to pay interest from the date hereof in like money on the unpaid principal amount hereof from time to time outstanding, at a rate of 6% per annum. Interest shall be payable in arrears on each Yield Payment Date commencing on the first such date to occur after the date hereof and upon final payment of the unpaid principal amount hereof.

This Second Amended and Restated Subordinated Note is subordinate and junior in right and time of payment to all "**Senior Debt**" of the Buyer, which consists of all Indebtedness (as defined below) of the Buyer and all renewals, extensions, refinancings and refundings thereof other than any such Indebtedness that expressly provides that it is not senior or superior in right of payment hereto. The term "**Indebtedness**" means (i) all obligations of the Buyer from time to time under the Second Amended and Restated Receivables Purchase Agreement dated as of June , 2007, as it may be amended, supplemented and otherwise modified from time to time (the "**Second Amended and Restated Receivables Purchase Agreement**"), among the Buyer, PolyOne Corporation, as Servicer, the Purchasers from time to

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time party thereto and the Agent, whether for Collections received or deemed to have been received by the Buyer, fees, costs, expenses, taxes, indemnification or otherwise, and (ii) any indebtedness, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereto) and guarantees of any of the foregoing, whether or not any such indebtedness would appear as a liability on a balance sheet of the Buyer prepared on a consolidated basis in accordance with generally accepted accounting principles.

All obligations (the "**Senior Obligations**") of the Buyer to pay principal, interest (including, without limitation, interest, as provided in the instruments and agreements evidencing Senior Debt, payable after any Insolvency Event (as defined below) whether or not such interest is permitted to accrue or is allowable), fees, costs, expenses, taxes, indemnifications, and other amounts in respect of Senior Debt now or hereafter existing must be irrevocably paid in full in cash before any amount payable under this Second Amended and Restated Subordinated Note (the "**Junior Debt**") shall be payable. Notwithstanding the foregoing, so long as no Event of Termination or Potential Event of Termination shall have occurred and be continuing under the Second Amended and Restated Receivables Purchase Agreement, the Buyer may pay accrued and unpaid interest on Junior Debt on each Settlement Date and may voluntarily prepay the principal of Junior Debt at any time and from time to time; *provided, however*, that Junior Debt shall be payable only to the extent that the Buyer, after paying all its accounts payable and other expenses and obligations in respect of the Senior Obligations, has the funds to make such payments. No holder of Junior Debt shall take or receive from the Buyer for or on account of any Junior Debt any payment or distribution, by setoff or otherwise, in contravention of the subordination provisions herein contained. In the event (each, an "**Insolvency Event**") of any dissolution, winding up, liquidation, arrangement, reorganization, adjustment, protection, relief or composition of the Buyer or its debt, whether voluntary or involuntary, in any bankruptcy, insolvency or similar case or proceeding under any federal or state bankruptcy or similar law or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Buyer or otherwise, the holders of Senior Obligations shall be entitled to receive irrevocable payment in full in cash of the Senior Obligations before any holder of any Junior Debt is entitled to receive any payment of all or any of the Junior Debt, and any payment or distribution of any kind (whether in cash, property or securities) that otherwise would be payable with respect to any Junior Debt in any such case, proceeding, assignment, marshalling or otherwise (including any payment that may be payable by reason of other Indebtedness of the Buyer being subordinated to payment of the Junior Debt) shall be paid or delivered directly to a representative (the "**Representative**") selected by holders of at least 50% in principal amount of Senior Debt for the account of all holders of Senior Debt for application (in the case of cash) to, or as collateral (in the case of non-cash property or securities) for, the payment or prepayment of the Senior Obligations until the Senior Obligations shall have been irrevocably paid in full in cash. All payments and distributions upon or with respect to the Junior Debt which are received by any holder of Junior Debt contrary to the subordination provisions herein contained shall be received in trust for the benefit of the holders of Senior Debt, shall be segregated from other funds and property held by such holder of Junior Debt and shall be forthwith paid over to the Representative for the account of the holders of Senior Debt in the same form as so received (with any necessary endorsement) to be applied (in the case of cash) to, or held as collateral (in the case of non-cash property or securities) for, the payment or prepayment of the Senior

Obligations. The Buyer agrees, and the holder hereof by accepting this Second Amended and Restated Subordinated Note agrees, to the subordination provisions herein contained.

Notwithstanding any provision herein to the contrary, the holder hereof by accepting this Second Amended and Restated Subordinated Note agrees that it shall be entitled to enforce the obligations of the Buyer hereunder (subject to the other provisions contained in this Second Amended and Restated Subordinated Note) only against the interest of the Buyer from time to time in and to the Receivable Assets now existing or hereafter arising (subject to the interests therein of the Receivable Interests now existing or hereafter arising under the Second Amended and Restated Receivables Purchase Agreement) and that the obligations of the Buyer hereunder shall not constitute a claim against the Buyer or its other assets in the event that such interest of the Buyer is insufficient to pay such obligations.

Upon prior written notice to the Buyer, the holder hereof may sell, pledge, assign, or otherwise transfer this Second Amended and Restated Subordinated Note, except that no such transfer shall be made (other than a transfer to any Affiliate (other than the Buyer or any of its subsidiaries) of the Seller) without the prior written consent of the Agent.

This Second Amended and Restated Subordinated Note shall be governed by, and construed in accordance with, the laws of the State of New York.

The holder of this Second Amended and Restated Subordinated Note, by its acceptance hereof, hereby covenants and agrees that (a) so long as the Senior Debt shall not have been irrevocably paid in full in cash, such holder will not sue for or demand from the Buyer payment of all or any of the Junior Debt and (b) such holder will not at any time institute against the Buyer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law.

IN WITNESS WHEREOF, the Buyer has caused this Second Amended and Restated Subordinated Note to be duly executed as of the day and year first above written.

POLYONE FUNDING CORPORATION

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Name:

Title:

**LOCK-BOX BANKS AND  
LOCK-BOX ACCOUNTS**

<u>Lock-Box Bank</u>	<u>Lock-Box No.</u>	<u>Lock-Box Account No.</u>
Mellon Bank, N.A.	01489	078-6808
Mellon Bank, N.A.	10602	078-6808

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**CREDIT AND COLLECTION POLICY****Purpose and Scope**

The Company conducts its operations through dedicated business units and organizational teams. The purpose of this policy is to establish the essential Company-wide requirements relating to the management of "credit" risk. The scope of this policy covers all receivables for each business unit.

**Overall Policy**

Unless otherwise approved, the Company will only extend credit as part of conducting normal business operations. Credit will be provided based on an assessment of an individual customer's (or other third party's) ability to pay within terms common (competitive) to the business market segment. Each business will manage its credit risk by (a) assessing the risk exposure of its credit portfolio and (b) assessing activities to realize prompt payment collection.

**Responsibility and Authority**

The Corporate Chief Financial Officer (CFO) is responsible for establishing policy guidelines consistent with PolyOne Corporation's target capital structure. The guidelines will cover setting credit limits and exceptions thereto, for term extensions and credit worthiness, and determining the appropriate risk exposure of a business' overall credit portfolio.

The CFO is responsible for this policy and revisions, which may be required from time to time. The CFO will approve any exceptions to this policy.

It is the responsibility of the business General Manager, delegating through the business management team (specifically including the business controller and credit manager), to develop and implement all business unit policies, guidelines and/or procedures necessary to effectively manage the business unit's day-to-day credit risk and to adhere to this Company-wide policy. The business General Manager is delegated the authority to have credit authorized consistent with this policy.

**Actions Requiring the Approval of the CFO**

- Business programs, which in their aggregate extend overall credit levels beyond established risk exposure guidelines
  - Expansion by more than 10% of previously approved programs
  - Employee credit other than for relocation and/or nominal amounts not to exceed \$500 outstanding per individual (should be discouraged)
  - Any credit to Company Officers
-

## **Guidelines**

The successful implementation of this policy is partially dependent on establishing specific control and reporting activities that each business unit's operations are expected to incorporate. Below are specific activities which each business unit will perform in supporting the (a) assessment of its credit portfolio risk, (b) prompt collection of outstanding credit and (c) reporting to Corporate Services (CFO, Treasurer and Corporate Controller).

### Assessing portfolio credit risk

- Assess the credit risk on an individual account basis
- New shipments will only be made within established guidelines
- Continuous and periodical assessments of the overall risk profile of the credit portfolio considering industry conditions credit terms/programs, specific account condition with appropriate actions implemented.

### Prompt Payment

- Delinquent accounts will be contacted in a timely manner and communications of such delinquency will be made to business management and to the sales organization
- Customer accounts will be kept clean, i.e., credit and debit adjustments issued timely, cash applied to invoices, etc.

### Reporting to Corporate Services

- In the monthly financial reporting package include key performance measures relating to receivable DSO, aging, dating, etc. The business unit DSO will be shown for domestic, foreign and total and calculated on a Company-wide basis
- Quarterly provide a brief communication on the business unit's credit risk portfolio profile and highlight substantive changes
- Annually review any programs which extend credit beyond normal product sale terms

In addition to the above activities it is important that each business unit establish an environment consistent with managing its credit risk. Important areas to consider and which may impact such an environment include the following:

- Scope of account responsibility given to sales personnel
- Sales personnel basis of incentive compensation
- Customer incentives for prompt payment
- Level of communications between sales and credit personnel
- Use of performance measures and establishing goals

Also, it is the responsibility of each business unit to quickly communicate to other PolyOne business units, as appropriate, problem accounts or potential bad credit risks.

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FORMS OF INVOICES

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**JURISDICTION OF INCORPORATION,  
ORGANIZATION IDENTIFICATION NUMBER AND  
LOCATION OF SELLER'S PRINCIPAL PLACE OF BUSINESS,  
CHIEF EXECUTIVE OFFICE AND OFFICE WHERE RECORDS ARE KEPT**

**PolyOne Corporation**

**Jurisdiction of Incorporation**

Ohio.

**Organization Identification Number**

OH-1181191.

**Principal Place of Business, Chief Executive Office and Office Where Records Are Kept**

PolyOne Corporation  
33587 Walker Road  
Avon Lake, Ohio 44012

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**TRADEMARK OR OTHER NAMES FOR SELLER**

None.

**CANADIAN  
RECEIVABLES PURCHASE AGREEMENT**

**DATED AS OF JULY 13, 2007**

**AMONG**

**POLYONE FUNDING CANADA CORPORATION,**

**AS THE SELLER,**

**POLYONE CORPORATION,**

**AS THE SERVICER,**

**THE BANKS AND OTHER FINANCIAL INSTITUTIONS PARTY HERETO,**

**AS PURCHASERS,**

**CITICORP USA, INC.,**

**AS THE AGENT,**

**AND**

**NATIONAL CITY BUSINESS CREDIT, INC.,**

**AS THE SYNDICATION AGENT**

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## SCHEDULES

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## CANADIAN RECEIVABLES PURCHASE AGREEMENT

This **CANADIAN RECEIVABLES PURCHASE AGREEMENT**, dated as of July 13, 2007 (this "Agreement"), among POLYONE FUNDING CANADA CORPORATION, a Canadian corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the Servicer (as hereinafter defined), the banks and other financial institutions listed on the signature pages hereof, as the Initial Purchasers (the "Initial Purchasers"), CITICORP USA, INC., a Delaware corporation ("Citicorp"), as administrative agent (the "Agent") for the Purchasers and the other Owners (as hereinafter defined), and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation ("NCBC"), as the syndication agent (the "Syndication Agent").

### PRELIMINARY STATEMENTS:

- (1) The Seller will from time to time purchase or otherwise acquire from the Canadian Originator Pool Receivables which the Seller intends to sell hereunder.
  - (2) The Purchasers may at any time purchase such Pool Receivables from the Seller and from time to time make Capital Increases.
  - (3) In consideration of the reinvestment in Pool Receivables of daily Collections (other than with regard to accrued Yield and any fees), the Seller will sell to the Agent on behalf of the Owners additional Pool Receivables until such reinvestment is terminated.
  - (4) PolyOne has been requested and is willing to act as the Servicer.
  - (5) Citicorp has been requested and is willing to act as the Agent.
  - (6) NCBC has been requested and is willing to act as the Syndication Agent.
  - (7) Certain terms which are capitalized and used throughout this Agreement (in addition to those defined above) are defined in Article I of this Agreement.
- NOW, THEREFORE, in consideration of the premises, the parties hereto agree 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):

"Adjusted EBITDA" means, with respect to any Person, EBITDA of such Person and its Subsidiaries plus any net cash received from Equity Affiliates, minus any net cash paid to Equity Affiliates, minus any income from Equity Affiliates plus any income to Equity Affiliates.

"Adjusted LIBO Rate" means, with respect to any Yield Period for any Capital Investment, an interest rate per annum equal to the rate per annum obtained by dividing (a) the LIBO Rate by (b) a percentage equal to (i) 100% minus (ii) the reserve percentage applicable 2 Business Days before the first

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day of such Yield Period under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including 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 LIBO Rate is determined) having a term equal to such Yield Period.

“Adverse Claim” means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, lien (statutory or other), security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever intended to assure payment of any Debt or the performance of any other obligation, including any conditional sale or other title retention agreement, the interest of a lessor under a capital lease and any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the PPSA or comparable law of any jurisdiction naming the owner of the asset to which such Adverse Claim relates as debtor.

“Affiliate” means as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

“Agent’s Account” means the Deposit Account of the Agent (account number 30537802, ABA 021000089, Reference: CUSA f/a/o PolyOne Concentration) maintained with CNA at its office at 399 Park Avenue, New York, New York 10043, Attention: Hien Nugent, or such other account as the Agent shall specify in writing to the Seller, the Servicer and the Purchasers.

“Agent’s Fee” means those agency fees set forth in the Second Amended and Restated Fee Letter.

“Alternate Base Rate” means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall be equal at all times to the highest of the following:

(a) the rate of interest announced publicly by CNA in New York, New York, from time to time, as CNA’s base rate (or equivalent rate otherwise named);

(b) the sum (adjusted to the nearest 0.25% or, if there is no nearest 0.25%, to the next higher 0.25%) of (i) 0.5% per annum, (ii) the rate per annum 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 being determined weekly on each Monday (or, if any such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by CNA 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 CNA from 3 New York certificate of deposit dealers of recognized standing selected by CNA, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) for CNA in respect of liabilities consisting of or including (among other liabilities) three-month U.S. dollar nonpersonal time deposits in the United States and (iii) the average during such three-week period of the maximum annual assessment rates estimated by CNA for determining the then current annual assessment

payable by CNA to the Federal Deposit Insurance Corporation (or any successor) for insuring U.S. Dollar deposits in the United States; and

(c) 0.5% per annum plus the Federal Funds Rate.

“Amended and Restated Projections” means those financial projections, dated April, 2007, covering the Fiscal Years ending in December 2007 through December 2011 inclusive, to be delivered to the Purchasers by PolyOne.

“Applicable Margin” means (a) for an initial period commencing on the Effective Date and ending on the first day of the month immediately following the month in which the Servicer delivers PolyOne’s financial statements for the Fiscal Period ending June 30, 2007, (i) in the case of Capital Investments having a Yield determined with reference to the Alternate Base Rate, 0.50% per annum and, (ii) in the case of Capital Investments having a Yield determined with reference to the Adjusted LIBO Rate, 1.50% per annum and (b) thereafter, as of any date of determination, a per annum rate equal to the rate set forth below opposite the then applicable Average Monthly Excess Availability (determined on the last day of the most recently concluded calendar month):

<u>Average Monthly Excess Availability</u>	<u>Alternate BaseRate</u>	<u>Adjusted LIBO Rate</u>
Greater than \$120,000,000	0.25%	1.25%
Less than or equal to \$120,000,000 and greater than \$60,000,000	0.50%	1.50%
Less than or equal to \$60,000,000	0.75%	1.75%

provided, however, that upon the occurrence and during the continuance of an Event of Termination, the “Applicable Margin” shall be the sum of the highest rate set forth in the table above (as may be converted pursuant to Section 2.16) plus 2.00% per annum. Changes in the Applicable Margin resulting from a change in the Average Monthly Excess Availability for any month shall become effective as to all Capital Investments on the first day of the next consecutive calendar month.

“Applicable Reserve” means, at any date, an amount equal to (NRPB x RP) plus such reserves as mutually agreed upon, with adjustments effective upon at least three Business Days’ notice by the Agent, where:

NRPB = the Net Receivables Pool Balance at the close of business of the Servicer on such date.

RP = the Reserve Percentage at the close of business of the Servicer on such date.

“Approved Electronic Communications” means each notice, demand, communication, information, document and other material that the Seller or Servicer is obligated to, or otherwise chooses to, provide to the Agent pursuant to any Transaction Document or the transactions contemplated therein, including any financial statement, financial and other report, notice, request, certificate and other information material; provided, however, that “Approved Electronic Communication” shall exclude (x) any Notice of Purchase,

Swing Increase Request, Notice of Conversion or Continuation, and any other notice, demand, communication, information, document and other material relating to a request for a new, or a conversion of an existing, Purchase, (ii) any notice relating to the payment due under any Transaction Document prior to the scheduled date therefor, (iii) any notice of any Potential Event of Termination or Event of Termination and (iv) any notice, demand, communication, information, document and other material required to be delivered to satisfy any of the conditions set forth in Article III or any other condition to any Purchase hereunder or any condition precedent to the effectiveness of this Agreement.

“Approved Electronic Platform” has the meaning specified in Section 8.06.

“Assignee” means in the case of any assignment of any rights and obligations pursuant to Section 9.01, any Eligible Assignee as the assignee of such rights and obligations.

“Assignment and Acceptance” means an assignment and acceptance, in substantially the form of Exhibit A hereto, entered into by any Purchaser and an Assignee pursuant to Section 9.01.

“Available Capital” means, at any time, (a) the lesser of (i) the then effective Total Commitments and (ii) (x) the Net Receivables Pool Balance at such time minus (y) any Applicable Reserve in effect at such time, minus (b) the Capital at such time.

“Average Monthly Excess Availability” has the meaning set out in the U.S. RPA.

“Business Day” means any day (other than a Saturday or Sunday) on which (i) banks are not authorized or required to close in Toronto, Ontario, Canada, New York, New York or the State of Ohio and (ii) if the term “Business Day” is used in connection with the Adjusted LIBO Rate, dealings in United States dollars are carried on in the London interbank market.

“Canadian Consent and Agreement” means the Canadian Consent and Agreement, dated as of the Effective Date, in substantially the form of Exhibit E hereto, duly executed by the Seller and the Canadian Originator.

“Canadian Dollars” means the lawful currency of Canada.

“Canadian Dollar Receivables” means any Receivable in Canadian Dollars.

“Canadian Insolvency Statutes” means collectively, the Companies’ Creditors Arrangement Act (Canada), the Bankruptcy and Insolvency Act (Canada), the Assignments and Preferences Act (Ontario) and the Fraudulent Conveyances Act (Ontario).

“Canadian Originator” means PolyOne Canada, Inc. and its successors.

“Canadian Receivables Sale Agreement” means the Canadian Receivables Sale Agreement, dated as of July 13, 2007, in substantially the form of Exhibit D hereto, among the Canadian Originator, the Seller and PolyOne as the Buyer’s Servicer thereunder, as the same may from time to time be amended, supplemented or otherwise modified with the prior written consent of the Required Purchasers.

“Canadian Subordinated Note” has the meaning specified in the Canadian Receivables Sale Agreement.

“Capital” means, at any time, the sum of all Capital Investments outstanding at such time.

“Capital Expenditures” means, with respect to any Person, expenditures (whether paid in cash or other consideration or accrued as a liability) for fixed or capital assets (excluding any capitalized interest and any such asset acquired in connection with normal replacement and maintenance programs to the extent properly charged to current operations and excluding any replacement assets to the extent acquired with the proceeds of insurance) made by such Person, all as determined in accordance with GAAP.

“Capital Increase” means any increase in the aggregate outstanding Capital hereunder pursuant to Sections 2.01 and 2.02, other than in connection with the initial Purchase.

“Capital Investment” means, in respect of the initial Purchase or any Capital Increase (including any Swing Increase), the original amount paid to the Seller on account of Capital at the time thereof, pursuant to Sections 2.01, 2.02 or 2.03, reduced from time to time by Collections received and distributed on account of such Capital pursuant to Section 2.07 or 2.08; provided, however, that if such Capital Investment shall have been reduced by any distribution of any portion of Collections and thereafter such distribution is rescinded or must otherwise be returned for any reason, such Capital Investment shall be increased by the amount of such distribution, all as though such distribution had not been made.

“Cash Management Obligation” means, as applied to the Seller, any direct or indirect liability, contingent or otherwise, of the Seller in respect of cash management services (including treasury, depository, overdraft, credit or debit card, electronic funds transfer and other cash management arrangements) provided after the date hereof (regardless of whether these or similar services were provided prior to the date hereof by the Agent, any Purchaser or any Affiliate or any of them) by the Agent in connection with this Agreement or any Transaction Document, including obligations for the payment of fees, interest, charges, expenses, reasonable legal fees and disbursements in connection therewith.

“Change of Control” means the occurrence of any of the following: (a) any Person or 2 or more Persons acting in concert, other than a trustee or other fiduciary holding securities under an employee benefit plan of PolyOne or a corporation owned, directly or indirectly, by PolyOne or by the stockholders of PolyOne in substantially the same proportions as their ownership of stock of PolyOne (e.g., a holding company reorganization), 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 Interests of PolyOne (or other securities convertible into such Voting Interests of PolyOne) representing 25% or more of the combined voting power of all Voting Interests of PolyOne; or (b) any Person or 2 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, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of PolyOne; or (c) PolyOne, or a corporation owned, directly or indirectly, by the stockholders of PolyOne in substantially the same proportions as their ownership of stock of PolyOne, shall cease to own, directly or indirectly, 100% of the Equity Interests in the Seller, PolyOne or the Canadian Originator, or (d) any “Change of Control” under and as defined in the Senior Note Indenture.

“Citicorp” has the meaning assigned to such term in the recital of parties hereto.

“Citicorp Base Rate” for any period for any Capital Investment, an interest rate per annum equal to the sum of (a) the Alternate Base Rate in effect from time to time plus (b) the Applicable Margin.

“Citicorp LIBO Rate” for any Yield Period for any Capital Investment, an interest rate per annum equal to the sum of (a) the Adjusted LIBO Rate for such Yield Period plus (b) the Applicable Margin.

“Citicorp Rate” means (a) for any Capital Investment (other than Swing Increases), at the Seller’s election upon written notice to the Agent, given not later than 11:00 A.M. (New York City time) on the third Business Day prior to such Capital Investment (in the case of the Citicorp LIBO Rate) or the Business Day prior to such Capital Investment (in the case of the Citicorp Base Rate), either the Citicorp LIBO Rate or the Citicorp Base Rate, as applicable, and (b) for any Capital Investment that is a Swing Increase and for each other obligation hereunder, the Citicorp Base Rate.

“CNA” means Citibank, N.A., a national association, and its successors.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Collections” means, with respect to any Pool Receivable, all cash collections and other cash proceeds of such Pool Receivable, including, without limitation, (i) all cash proceeds of the Related Security with respect to such Pool Receivable and (ii) any Collections of such Pool Receivable deemed to have been received, and actually paid, pursuant to Section 2.09(a).

“Commitment” means from and after the Effective Date, in respect of each Purchaser party to this Agreement on the Effective Date after giving effect to this Agreement, the commitment of such Purchaser to make Purchases and acquire other Capital Investments in the aggregate principal amount set forth as the “Commitment” of such Purchaser on Schedule VII and in respect of each other Purchaser that became a Purchaser by entering into an Assignment and Acceptance from and after the Effective Date, the amount set forth as the “Commitment” for such Purchaser in the Register maintained by the Agent pursuant to Section 9.01(c); in the case of clauses (i) and (ii), as each such amount may be reduced from time to time as the result of any assignment of any Commitment or any portion thereof pursuant to Section 9.01 or as such amount may be reduced from time to time pursuant to Section 2.05.

“Commitment Termination Date” means the fifth anniversary of the Effective Date.

“Consolidated” means, with respect to any Person, the consolidation of accounts of such Person and its Subsidiaries in accordance with GAAP.

“Consolidated Interest Expense” means, with respect to any Person for any period, (a) cash interest expense of such Person and its Subsidiaries determined on a Consolidated basis in accordance with GAAP (including, in the case of PolyOne, the cash interest expense (including, but not limited to, Yield payable hereunder) of the Seller determined in accordance with GAAP), in each case, including interest capitalized during such period and net costs under all interest rate swap, cap, collar or similar agreements and interest rate insurance for such period minus (b) Consolidated net gains of such Person and its Subsidiaries (including, in the case of PolyOne, the Seller) under all interest rate swap, cap, collar or similar agreements and interest rate insurance for such period and minus (c) the Consolidated interest income of such Person and its Subsidiaries (including, in the case of PolyOne, the Seller) for such period.

“Consolidated Net Income” means, for any Person for any period, the net income (or loss) of such Person and its Subsidiaries for such period, determined on a Consolidated basis in conformity with GAAP.

“Contract” means an agreement between the Canadian Originator and an Obligor in any written form acceptable to the Canadian Originator, or in the case of any open account agreement as evidenced by one of the forms of invoices set forth in Schedule IV hereto or otherwise approved by the Agent from time to time (which approval shall not be unreasonably withheld), pursuant to or under which such Obligor shall be obligated to pay for goods.

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

“Debt” means, without duplication, (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services other than accounts payable arising in the ordinary course of business that are not outstanding for more than 60 days after first becoming due, (iv) obligations as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases, (v) indebtedness of others secured by liens, and (vi) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) above.

“Deposit Account” has the meaning set forth in Article 9 of the UCC.

“Designated Obligor” means, at any time, each Obligor; provided, however, that any Obligor shall cease to be a Designated Obligor upon 3 Business Days’ notice by the Agent to the Seller given in accordance with the Agent’s then current credit guidelines and with the consent or at the request of the Required Purchasers.

“Dollar Equivalent” of any amount means, at the time of determination thereof, (a) if such amount is expressed in U.S. Dollars, such amount and (b) if such amount is expressed in Canadian Dollars, the equivalent of such amount in U.S. Dollars determined by using the rate of exchange quoted by Citibank in New York, New York at 11:00 a.m. (New York time) on the date of determination (or, if such date is not a Business Day, the most recent Business Day prior thereto) to prime banks in New York for the spot purchase in the New York foreign exchange market of such amount of U.S. Dollars with Canadian Dollars.

“EBITDA” means, with respect to any Person for any period, an amount equal to (a) Consolidated Net Income of such Person for such period plus (b) the sum of, in each case to the extent included as a deduction in the calculation of such Consolidated Net Income of such Person for such period in accordance with GAAP, but without duplication, (i) any provision for income taxes, (ii) Consolidated Interest Expense, (iii) loss from extraordinary items, (iv) depreciation, depletion and amortization of intangibles or financing or acquisition costs, and (iv) all other non-cash charges and non-cash losses for such period, including the amount of any compensation deduction as the result of any grant of Stock or Stock Equivalents to employees, officers, directors or consultants, other than charges representing accruals of future cash expenses minus (c) the sum of, in each case to the extent included in the calculation of Consolidated Net Income of such Person for such period in accordance with GAAP, but without duplication, (i) any credit for income tax, (ii) gains from extraordinary items for such period, (iii) any aggregate net gain (but not any aggregate net loss) from the sale, exchange or other disposition of capital assets by such Person, (iv) cash payments for previously reserved charges and (v) any other non-cash gains which have been added in determining Consolidated Net Income, including any reversal of a charge referred to in clause (b)(iv) above by reason of a decrease in the value of any Stock or Stock Equivalent.

“Effective Date” means July 13, 2007.

“Eligible Assignee” means (i) each Initial Purchaser or any of its Affiliates, and (ii) any commercial bank, finance company, insurance company or other financial institution or any other Person,

in each case approved by the Agent and the Seller (which approval shall not (x) be unreasonably withheld or delayed or (y) required following the occurrence and during the continuance of an Event of Termination); provided, however, that neither the Canadian Originator nor the Seller nor any of their respective Affiliates may be an Eligible Assignee.

“Eligible Receivable” means each Pool Receivable arising out of the sale of merchandise or, goods in the ordinary course of business by the Canadian Originator to a Person that is not an Affiliate of the Canadian Originator; provided, however, that a Pool Receivable shall not be an “Eligible Receivable” if any of the following shall be true:

- (a) any warranty contained in this Agreement or any other Transaction Document with respect to such specific Receivable is not true and correct with respect to such Receivable; or
- (b) the Obligor on such Receivable has disputed liability or made any claim with respect to such Receivable or any other Receivable due from such Obligor to the Seller or the Canadian Originator but only to the extent of such dispute or claim; or
- (c) the Obligor in respect of such Receivable or any of its Affiliates is also a supplier to or creditor of the Seller or the Canadian Originator unless such supplier or creditor has executed a no-offset letter satisfactory to the Agent, in its sole discretion; provided, however, in the event no such no-offset letter has been executed, such Receivable shall be ineligible pursuant to this clause (c) only to the extent of an amount equal to 150% of the aggregate amount of accounts payable or other Debt owing by the Canadian Originator to such Obligor or any of its Affiliates as at such date; or
- (d) the sale represented by such Receivable is to an Obligor located outside the United States or Canada, unless the sale is on letter of credit or acceptance terms acceptable to the Agent, in its sole discretion; or
- (e) the sale to such Obligor on such Receivable is on a bill-and-hold, guaranteed sale, sale-and-return, sale-on-approval or consignment basis; or
- (f) such Receivable is subject to an Adverse Claim in favor of any Person other than the Agent; or
- (g) such Receivable is subject to any deduction, offset, counterclaim, return privilege or other conditions other than volume sales discounts given in the ordinary course of the Canadian Originator’s business; provided, however, such Receivable shall be ineligible pursuant to this clause (g) only to the extent of such deduction, offset, counterclaim, return privilege or other condition; or
- (h) the Obligor on such Receivable is located in any jurisdiction requiring the holder of such Receivable, as a precondition to commencing or maintaining any action in the courts of such jurisdiction either to (i) receive a certificate of authorization to do business in such jurisdiction or be in good standing in such jurisdiction or (ii) file a Notice of Business Activities Report with the appropriate office or agency of such jurisdiction, in each case unless the holder of such Receivable has received such a certificate of authority to do business, is in good standing or, as the case may be, has duly filed such a notice in such jurisdiction; or

(i) the Obligor on such Receivable is a Governmental Authority, unless the Canadian Originator and the Seller have each assigned its rights to payment of such Receivable to the Agent pursuant to the Assignment of Claims Act of 1940, as amended, in the case of a federal U.S. Governmental Authority, and pursuant to applicable law, if any, in the case of any other Governmental Authority, and such assignment has been accepted, acknowledged and where required to create an effective assignment thereof, consented to by the appropriate government officers; or

(j) 50% or more of the outstanding Receivables of the Obligor are not, or have been determined by the Agent, in accordance with the provisions hereof, not to be, Eligible Receivables; or

(k) the payment obligation represented by such Receivable is denominated in a currency other than U.S. Dollars or Canadian Dollars; or

(l) such Receivable is not evidenced by an invoice or other writing in form acceptable to the Agent, in its sole discretion; or

(m) the Canadian Originator, the Seller or any other Person, in order to be entitled to collect such Receivable, is required to deliver any additional goods or merchandise to, perform any additional service for, or perform or incur any additional obligation to, the Person to whom or to which it was made; or

(n) the total Receivables of such Obligor to the Canadian Originator (taken as a whole) represent more than 15% (or such lesser percentage with respect to certain Obligors as the Agent may determine in its sole discretion in accordance with its customary criteria) of the Eligible Receivables of the Canadian Originator at such time, but only to the extent of such excess; or

(o) such Receivable is more than (i) 60 days past due according to the original terms of sale, or (ii) 91 days past the original invoice date thereof; provided, however, that a Receivable with extended original terms not in excess of 90 days which are acceptable to the Agent, in accordance with its customary criteria, may be an "Eligible Receivable" provided such Receivable is not more than 120 days past the original invoice date thereof; or

(p) the Obligor on such Receivable has (i) filed a petition for bankruptcy or any other relief under the Bankruptcy Code, the Bankruptcy and Insolvency Act, any other Canadian Insolvency Statutes or any other law relating to bankruptcy, insolvency, arrangement, reorganization or relief of debtors, (ii) made an assignment for the benefit of creditors, (iii) had filed against it any petition or other application for relief under the Bankruptcy Code or any such other law, (iv) failed, suspended business operations, become insolvent, called a meeting of its creditors for the purpose of obtaining any financial concession or accommodation or (v) had or suffered a receiver or a trustee to be appointed for all or a significant portion of its assets or affairs; or

(q) consistent with the Credit and Collection Policy, such Receivable should be written off the Seller's or the Canadian Originator's books as uncollectible; or



(r) at any time following the 60<sup>th</sup> day after the date hereof (or such later date to which the Agent may consent in writing) such Receivable shall not be payable into a Lock-Box Account which is the subject of a Lock-Box Agreement; or

(s) such Receivable shall not arise 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; or

(t) such Receivable, together with the Contract related thereto, shall contravene in any material respect any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to usury, consumer protection, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) or with respect to which any party to the Contract related thereto is in violation of any such law, rule or regulation in any material respect; or

(u) such Receivable shall not (i) satisfy all applicable requirements of the Credit and Collection Policy or (ii) comply with such other reasonable 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; or

(v) such Receivable shall not constitute an "account" within the meaning of the PPSA;

(w) such Receivable arises under a Contract which contains a legally enforceable provision either requiring the Obligor thereunder to consent to the transfer, sale or assignment of the right to payment thereunder unless a written consent of the Obligor has been obtained, or otherwise restricting the right of the Canadian Originator to sell or transfer such Receivable;

(x) PST is payable in connection with such Receivable or any Obligor thereof is an individual; or

(y) the Agent, in accordance with its customary criteria, determines, in its sole discretion, that such Receivable might not be paid or is otherwise ineligible.

For the avoidance of doubt, it is acknowledged and agreed that any calculation of ineligibility made pursuant to more than one clause above shall be made without duplication.

"Equity Affiliate" means, with respect to any Person, any corporation, partnership, limited liability company or other business entity of which an aggregate of less than 50% of the Voting Interests is, at the time, directly or indirectly, owned or controlled by such Person or one or more Subsidiaries or Equity Affiliates of such Person and which such Person accounts for in its consolidated financial statements on an equity basis pursuant to GAAP.

"Equity Interest" 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.

“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 Seller’s controlled group, or under common control with the Seller, within the meaning of Section 414 of the Code.

“Eurocurrency Liabilities” has the meaning assigned to that term in Regulation D of the Federal Reserve Board.

“Events of Termination” has the meaning specified in Section 7.01.

“Fair Market Value” means (a) with respect to any asset or group of assets (other than a marketable security) at any date, the value of the consideration obtainable in a sale of such asset at such date assuming a sale by a willing seller to a willing purchaser dealing at arm’s length and arranged in an orderly manner over a reasonable period of time having regard to the nature and characteristics of such asset, and, with respect to the sale of assets with a book value in excess of \$25,000,000, as such sale is reasonably approved by the Board of Directors of PolyOne or, if such asset shall have been the subject of a relatively contemporaneous appraisal by an independent third party appraiser, the basic assumptions underlying which have not materially changed since its date, the value set forth in such appraisal and (b) with respect to any marketable security at any date, the closing sale price of such security on the Business Day next preceding such date, as appearing in any published list of any national securities exchange in the U.S. or the NASDAQ Stock Market or, if there is no such closing sale price of such Security, the final price for the purchase of such security at face value quoted on such Business Day by a financial institution of recognized standing regularly dealing in securities of such type and selected by the Agent.

“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.

“Fiscal Period” means a calendar month, a fiscal quarter or a Fiscal Year.

“Fiscal Year” means each twelve-month period ending on December 31.

“Fixed Charge Coverage Ratio” means, at any date of determination, the ratio of (i) Adjusted EBITDA of PolyOne less Consolidated Capital Expenditures of PolyOne and its Subsidiaries to (ii) Consolidated Interest Expense of PolyOne and its Subsidiaries plus scheduled repayments of principal on Debt to be made by PolyOne or its Subsidiaries during the immediately succeeding four fiscal quarter period plus Restricted Payments, plus net cash payment of taxes to the extent included in the calculation of EBITDA, in each case (other than in the case of scheduled repayments of principal on Debt) for the

four fiscal quarter period ending on such date or, if such date is not the last day of a fiscal quarter, for the immediately preceding four fiscal quarter period.

“GAAP” means generally accepted accounting principles in the United States, or with respect to the Canadian Originator and the Seller, generally accepted accounting principles in Canada, in each case consistently applied and in effect from time to time.

“Governmental Authority” means any nation, sovereign or government, any state, province or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any central bank.

“GST” means all goods and services tax payable under Part IX of the Excise Tax Act (Canada), all QST and all harmonized sales tax in the Provinces of Nova Scotia, Newfoundland and New Brunswick payable under the Excise Tax Act (Canada), as such statutes may be amended, modified, supplemented or replaced from time to time, including any successor statute.

“Indemnified Amounts” has the meaning specified in Section 10.01.

“Indemnified Party” means any or all of the Purchasers, the Assignees and the Agent and their respective Affiliates and successors and assigns and their respective officers, directors, managers, managing members, partners and employees.

“Intercreditor Agreement” means the amended and restated intercreditor agreement, dated June 6, 2006, between the Agent, Citicorp USA, Inc, as agent for the beneficiaries under the Guarantee and Agreement (as defined therein) and, U.S. Bank Trust National Association, not in its individual capacity but solely as collateral trustee (the “Corporate Trustee”).

“Investment” in any Person means any loan or advance to such Person, any purchase or other acquisition of any capital stock or other ownership or profit interest, warrants, rights, options, obligations or other securities of such Person, any capital contribution to such Person or any other investment in such Person.

“LIBO Rate” means, with respect to any Yield Period for any Capital Investment made at the Citicorp LIBO Rate, the rate determined by the Agent to be the offered rate for deposits in U.S. Dollars for the applicable Yield Period appearing on the MoneyLine Telerate Page 3750 as of 11:00 a.m., London time, on the second full Business Day next preceding the first day of each Yield Period. In the event that such rate does not appear on the MoneyLine Telerate Page 3750 (or otherwise on the MoneyLine screen), the LIBO Rate for the purposes of this definition shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Agent, or, in the absence of such availability the LIBO Rate shall be the rate of interest determined by the Agent to be the rate per annum at which deposits in U.S. Dollars are offered by the principal office of CNA in London to major banks in the London interbank market at 11:00 a.m. (London time) 2 Business Days before the first day of such Yield Period in an amount substantially equal to the Capital Investment of CNA for a period equal to such Yield Period.

“Liquidation Cost” has the meaning set forth in Section 2.12.

“Liquidation Day” means each day which occurs on or after the Termination Date.

“Lock-Box Account” means a Deposit Account (including, without limitation, any concentration account) maintained at a Lock-Box Bank for the purpose of receiving Collections and subject to a valid Lock-Box Agreement.

“Lock-Box Agreement” means an agreement, in substantially the form of Exhibit C hereto (with such modifications thereto as consented to by the Agent), between the Canadian Originator or the Seller, as the case may be, the Agent, and a Lock-Box Bank.

“Lock-Box Bank” means any of the banks specified on Schedule I hereof and any other bank specified as a “Lock-Box Bank” in accordance with this Agreement, in each case holding one or more Lock-Box Accounts.

“Material Adverse Change” means a material adverse change in any of (a) the condition (financial or otherwise), business, performance, prospects, operations, contingent liabilities, material obligations, or properties of the Seller, PolyOne, the Canadian Originator, or PolyOne and its Subsidiaries taken as a whole, (b) the collectibility of the Pool Receivables, or the ability of the Servicer (if PolyOne or any of its Affiliates) to collect Pool Receivables, (c) the legality, validity or enforceability of any Transaction Document, (d) the ability of the Seller, the Servicer, PolyOne or any Subsidiaries of PolyOne to perform their respective obligations under the Transaction Documents or (e) the rights and remedies of the Seller, Agent or the Purchasers under the Transaction Documents.

“Material Adverse Effect” means an effect that results in or causes, or could reasonably be expected to result in or cause, a Material Adverse Change.

“Multiemployer Plan” means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Seller or any ERISA Affiliate 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 Seller or any ERISA Affiliate and at least one Person other than the Seller and the ERISA Affiliates or (b) was so maintained and in respect of which the Seller or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

“Net Receivables Pool Balance” means at any time the Outstanding Balance of the Eligible Receivables in the Receivables Pool as at such time reduced by Unapplied Cash and Credits, volume rebates, credits in past due, offsets and other dilution and such other reductions as the Agent in its sole discretion deems appropriate.

“Notice of Conversion or Continuation” has the meaning specified in Section 2.16(a).

“Notice of Purchase” has the meaning specified in Section 2.02(a).

“Obligor” means a Person obligated to make payments pursuant to a Contract.

“Other Taxes” has the meaning specified in Section 2.14(b).

“Outstanding Balance” of any Receivable at any time means the Dollar Equivalent of the then outstanding principal balance thereof, as of the date of determination, excluding any PST, but including any GST or QST owing in connection therewith.

“Owner” means any of the Purchasers or the Swing Purchaser, as the case may be, who has made all or a portion of the initial Purchase or any Capital Increase; provided, however, that, upon any assignment of their interests hereunder pursuant to Article IX, the Assignee thereof shall be an Owner thereof.

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

“Plan” means a Single Employer Plan or a Multiple Employer Plan.

“PolyOne Canada” means PolyOne Canada, Inc., a corporation organized under the laws of Canada and a wholly owned Subsidiary of PolyOne.

“Pool Receivable” means a Receivable in the Receivables Pool.

“Potential Event of Termination” means any event that, with the giving of notice or the passage of time or both, would constitute an Event of Termination.

“PPSA” means the *Personal Property Security Act* (Ontario), as amended from time to time, and any regulations promulgated thereunder.

“PST” means all taxes payable under the Retail Sales Tax Act (Ontario) or any similar statute of another jurisdiction of Canada, but in any event, excluding any GST.

“Purchase” means a purchase by the Agent on behalf of the Purchasers of the Purchased Property from the Seller pursuant to Article II, and any such purchase in consideration of the remittance by the Servicer to the Seller of Collections of Pool Receivables pursuant to Section 2.07, and for greater certainty, includes any reinvestment pursuant to Section 2.07 and any purchase under Section 2.02(f) whether or not there is a reinvestment on such day.

“Purchased Property” means (a) at any time prior to the Termination Date, (i) all then outstanding Receivables, (ii) all Related Security relating to such Receivables and (iii) all Collections with respect to, and other proceeds of, Receivables and (b) at all times on and after the Termination Date, (i) all Receivables outstanding as of the close of business of the Servicer on the date preceding the Termination Date, (ii) all Related Security related to such Receivables and (iii) all Collections with respect to, and other proceeds of, such Receivables.

“Purchasers” means the Initial Purchasers and each Assignee that shall become a party hereto pursuant to Section 9.01.

“QST” means the Quebec sales tax imposed pursuant to An Act respecting the Quebec sales tax.

“Receivable” means the indebtedness (whether constituting accounts or intangibles or chattel paper or otherwise) of any Obligor under a Contract, and, subject to the following, includes the right to payment of any interest or finance charges and other obligations of such Obligor with respect thereto; provided that for Receivables in respect of which the Obligor is Canadian (unless otherwise agreed by the Agent), any such interest or finance charges as well as any PST owing in connection therewith shall be excluded, but GST and QST shall be included.

“Receivable Percentage” means, at any time, a percentage computed as:

$$\frac{C + AR}{NRPB}$$

where:

C = the outstanding Dollar Equivalent of the Capital Investments made at the time of such computation;

AR = the Dollar Equivalent of the aggregate Applicable Reserve at the time of such computation;

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

The Receivable Percentage shall be determined from time to time pursuant to the provisions of Section 2.06.

“Receivables Excess Availability” has the meaning set out in the U.S. RPA.

“Receivables Pool” means at any time the aggregation of the Dollar Equivalent 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 the initial creation of an interest in such Receivable under this Agreement.

“Receivables Report” means a report, in substantially the form of Exhibit B-2 hereto, furnished by the Servicer to the Agent for the Owners pursuant to Section 2.09.

“Records” means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable and the related Obligor.

“Register” has the meaning specified in Section 9.01(c).

“Related Security” means with respect to any Receivable:

(i) all of the Seller’s interest in the goods (including returned goods), 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;

(iii) all letter of credit rights, 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;

(iv) all Records relating to such Receivable;

(v) all of the Seller's right, title and interest in and to the following: the Canadian Receivables Sale Agreement, including, without limitation, (i) all rights to receive moneys due and to become due under or pursuant to the Canadian Receivables Sale Agreement, (ii) all rights to receive proceeds of any indemnity, warranty or guaranty with respect to the Canadian Receivables Sale Agreement, (iii) claims for damages arising out of or for breach of or default under the Canadian Receivables Sale Agreement, and (iv) the right to perform under the Canadian Receivables Sale Agreement and to compel performance and otherwise exercise all remedies thereunder; and

(vi) all proceeds of any and all of the foregoing (including, without limitation, proceeds which constitute property of the types described in clause (v) above).

“Required Net Receivables Pool Balance” means, at any time, the sum of (i) the aggregate outstanding Capital at such time plus (ii) the aggregate Applicable Reserve at such time.

“Required Purchasers” means at any time Purchasers holding more than 50% of the aggregate Commitments of the Purchasers.

“Requirement of Law” means, with respect to any Person, the common law and all federal, state, provincial, local and foreign laws, rules and regulations, orders, judgments, decrees and other determinations of any Governmental Authority or arbitrator, applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Reserve Percentage” means 15%, provided that the Reserve Percentage may, upon at least one Business Day's notice by the Agent to the Seller and the Servicer, be increased or decreased by the Agent at any time and in its discretion in accordance with its then current credit guidelines and provided, further, that the Reserve Percentage may not be decreased to less than 15% by the Agent at any time except with the written consent or at the written request of all of the Purchasers in accordance with Section 11.01.

“Responsible Officer” means, with respect to any Person, the chief executive officer, the president, the chief financial officer, vice president, corporate controller, treasurer, assistant treasurer, secretary, assistant secretary, managing members or general partners of such Person but, in any event, with respect to financial matters, the chief financial officer, treasurer or controller of such Person.

“Restricted Payment” means, with respect to the Servicer, (a) any dividend, distribution or any other payment whether direct or indirect, on account of any Stock or Stock Equivalent of the Servicer now or hereafter outstanding (other than dividends or distributions payable solely in common Stock of the Servicer) and (b) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any Stock or Stock Equivalent of the Servicer now or hereafter outstanding.

“Second Amended and Restated Fee Letter” has the meaning set out in the U.S. RPA.

“Second Amended and Restated Parent Undertaking” has the meaning set out in the U.S. RPA.

“Seller Report” means a report, in substantially the form of Exhibit B-1 hereto, furnished by the Servicer to the Agent for each Owner pursuant to Section 2.09.

“Seller's Account” means a deposit account of the Seller to be established not later than the time of the initial Purchase at a financial institution to be agreed to between the Agent and the Seller.

“Senior Note Indenture” means the Indenture, dated as of May 6, 2003, between PolyOne Corporation and The Bank of New York, as Trustee governing the 10<sup>5</sup>/<sub>8</sub>% Senior Notes, as such indenture may be amended, restated or otherwise modified with the prior written consent of the Agent (except for modifications that do not materially adversely affect the interests of the Purchasers under the Transaction Documents or in the Receivables with respect to which no written consent shall be required).

“Servicer” has the meaning specified in Section 6.01.

“Servicer Fee” has the meaning specified in Section 2.11.

“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 Seller or any ERISA Affiliate and no Person other than the Seller and the ERISA Affiliates or (b) was so maintained and in respect of which the Seller or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

“Solvent” means, with respect to any Person as of any date of determination, that, as of such date, (a) the value of the assets of such Person (both at fair value and present fair saleable value) is greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such Person, (b) such Person is able to pay all liabilities of such Person as such liabilities mature and (c) such Person does not have unreasonably small capital. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities shall be computed at the amount that, in 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.

“Stock” means shares of capital stock (whether denominated as common stock or preferred stock), beneficial, partnership or membership interests, participations or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity, whether voting or non-voting.

“Stock Equivalents” means all securities convertible into or exchangeable for Stock and all warrants, options or other rights to purchase or subscribe for any Stock, whether or not presently convertible, exchangeable or exercisable.

“Subsidiary” means, with respect to any Person, any corporation, partnership, limited liability company or other business entity of which an aggregate of more than 50% of the Voting Interests is, at the time, directly or indirectly, owned or controlled by such Person or one or more Subsidiaries of such Person.

“Super-Majority Purchasers” means at any time Purchasers holding at least 80% of the aggregate Commitments of the Purchasers.

“Swing Increase” has the meaning specified in Section 2.03.

“Swing Increase Request” has the meaning specified in Section 2.03(b).

“Swing Increase Sublimit” means US\$5,000,000.



“Swing Purchaser” means Citicorp or any other Purchaser that becomes the Agent or agrees, with the approval of the Agent and the Seller, to act as the Swing Purchaser hereunder, in each case in its capacity as the Swing Purchaser hereunder.

“Taxes” has the meaning specified in Section 2.14(a).

“10<sup>5</sup>/<sub>8</sub>% Senior Notes” means the 10<sup>5</sup>/<sub>8</sub>% Senior Notes due May 6, 2010 issued by PolyOne.

“Termination Date” means the earlier of (i) the Commitment Termination Date, and (ii) the date of termination in whole of the aggregate Commitments pursuant to Section 2.05 or 7.01.

“Total Commitment” means \$25,000,000 as such amount may be reduced from time to time pursuant to Section 2.05.

“Total Excess Availability” has the meaning set out in the U.S. RPA.

“Transaction Documents” means this Agreement, the Canadian Receivables Sale Agreement, the Canadian Subordinated Notes, the Second Amended and Restated Parent Undertaking, the Lock-Box Agreements, the Canadian Consent and Agreement, the Second Amended and Restated Fee Letter, the Quebec Assignment and each certificate, agreement or document executed by the Seller, the Servicer, or the Canadian Originator and delivered to the Agent or any Purchaser in connection with or pursuant to any of the foregoing.

“Transfer” means sell, assign, convey, set-over and transfer, or, depending upon the context, sale, assignment, conveyance, set-over and transfer, and “Transferred” shall be interpreted accordingly.

“UCC” means, at any time, the Uniform Commercial Code as from time to time in effect in the State of New York at such time.

“Unapplied Cash and Credits” means, at any time, the Dollar Equivalent of the aggregate amount of Collections or other cash or credits then held by or for the account of the Servicer, the Canadian Originator or the Seller in respect of the payment of Pool Receivables, but not yet applied or reinvested pursuant to Section 2.07 or applied pursuant to Section 2.08.

“United States” and “U.S.” each means United States of America.

“Unused Commitment” means, with respect to any Purchaser at any time, (a) such Purchaser’s Commitment at such time minus (b) that aggregate outstanding Capital paid by such Purchaser pursuant to Section 2.02 and not reduced by the Dollar Equivalent of Collections received and distributed to such Purchaser on account of such Capital pursuant to Section 2.07 or 2.08.

“Unused Commitment Fee” has the meaning specified in Section 2.11.

“Unused Commitment Fee Rate” means (i) for an initial period commencing on the Effective Date and ending on the first day of the month immediately following the month in which the Servicer delivers PolyOne’s financial statements for the Fiscal Period ending June 30, 2007, 0.250% per annum, and (ii) thereafter, as of any date of determination, a per annum rate equal to the rate set forth below opposite the then applicable Average Monthly Excess Availability (determined on the last day of the most recently concluded calendar month for which financial statements have been delivered):

<u>Average Monthly Excess Availability</u>	<u>Unused Commitment Fee Rate</u>
Greater than \$120,000,000	0.375%
Less than or equal to \$120,000,00 and greater than \$60,000,000	0.250%
Less than or equal to \$60,000,000	0.250%

provided, however, that upon the occurrence and during the continuance of an Event of Termination, the “Unused Commitment Fee Rate” shall be the highest rate set forth in the table above. Changes in the Unused Commitment Fee Rate resulting from a change in the Average Monthly Excess Availability for any month shall become effective on the first day of the next consecutive calendar month.

“U.S. Buyer” means PolyOne Funding Corporation, a Delaware corporation.

“U.S. Dollars” and “\$” each means the lawful currency of the United States.

“U.S. RPA” means the Second Amended and Restated Receivables Purchase Agreement dated as of June 26, 2007 (as the same may from time to time be amended, restated, supplemented or otherwise modified from time to time) among the U.S. Buyer, PolyOne, as Servicer thereunder, the Purchasers (as defined therein), Citicorp USA, Inc., as administrative agent for the Purchasers and any other owners of Receivable Interests (as defined therein), Citibank, N.A. and National City Bank, as issuing banks, and National City Business Credit, Inc., as the syndication agent.

“Voting Interests” means shares of capital stock issued by a corporation, or equivalent Equity 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.

“Welfare Plan” means a welfare plan, as defined in Section 3(1) of ERISA.

“Yield” means (a) for each Capital Investment made at the Citicorp LIBO Rate, for any Yield Period:

$$\frac{CR \times C \times ED}{360} + LC$$

where:

CR = the Citicorp LIBO Rate for such Capital Investment for such Yield Period;

C = the amount of such Capital Investment;

ED = the actual number of days elapsed during such Yield Period; and

LC = all Liquidation Costs, if any, for such Capital Investment for such Yield Period; and

(b) for each Capital Investment made at the Citicorp Base Rate for any period of time:

$$\frac{CR \times C \times ED}{360}$$

where:

CR = the Citicorp Base Rate from time to time;

C = the amount of such Capital Investment; and

ED = the actual number of days elapsed;

provided, that no provision of this Agreement shall require the payment or permit the collection of Yield in excess of the maximum permitted by applicable law; provided, further, that Yield for any Capital Investment shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

“Yield Payment Date” means, (a) in respect of Capital Investments made at the Citicorp Base Rate (including but not limited to the Swing Increases) (i) the first Business Day of each calendar month, commencing on the first such day following the making of such Capital Investment and (ii) if not previously paid in full, on the Termination Date, (b) in respect of Capital Investments made at the Citicorp LIBO Rate, (i) the last day of each Yield Period applicable to such Capital Investment and, if such Yield Period has a duration of more than one month, on each day during such Yield Period occurring every month from the first day of such Yield Period, (ii) upon the payment or prepayment thereof in full or in part and (iii) if not previously paid in full, on the Termination Date, (c) in respect of the Unused Commitment Fee, (i) the first Business Day of each calendar month and (ii) if not previously paid in full, on the Termination Date, and (d) with respect to all other obligations of the Seller hereunder, on demand by the Agent from and after the time such obligation becomes due and payable (whether by acceleration or otherwise).

“Yield Period” means, in the case of any Capital Investment made at the Adjusted LIBO Rate, (a) initially, the period commencing on the date such Capital Investment is made or on the date of conversion of a Capital Investment made at the Alternate Base Rate to a Capital Investment made at the Adjusted LIBO Rate and ending one, two, or three months thereafter, as selected by the Seller in its Notice of Purchase and (b) thereafter, if such Capital Investment is continued, in whole or in part, as a Capital Investment made at the Adjusted LIBO Rate, a period commencing on the last day of the immediately preceding Yield Period therefor and ending one, two, or three months thereafter, as selected by the Seller in its Notice of Conversion or Continuation given to the Agent; provided, however, that all of the foregoing provisions relating to Yield Periods in respect of Capital Investment made at the Adjusted LIBO Rates are subject to the following:

(i) if any Yield Period would otherwise end on a day that is not a Business Day, such Yield Period shall be extended to the next succeeding Business Day, unless the result of such extension would be to extend such Yield Period into another calendar month, in which event such Yield Period shall end on the immediately preceding Business Day;

(ii) any Yield Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Yield Period) shall end on the last Business Day of a calendar month;

(iii) the Seller may not select any Yield Period that ends after the Commitment Termination Date; and

(iv) there shall be outstanding at any one time no more than 7 Yield Periods in the aggregate.

**Section 1.02. Other Terms.**

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in the PPSA and not specifically defined herein are used herein as defined in the PPSA. Any reference to a dollar amount herein, shall be a reference to such amount in U.S. Dollars, unless otherwise expressly stated.

**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 means “to but excluding”.

**ARTICLE II**

**AMOUNTS AND TERMS OF THE PURCHASES**

**Section 2.01. Commitment.**

(a) On the terms and conditions herein set forth, each Purchaser severally agrees to make the initial Purchase, and to make Capital Increases from time to time, (i) after the Effective Date on any Business Day during the period from the Effective Date to the Termination Date and (ii) in an aggregate amount of Capital for such Purchaser not to exceed at any time outstanding such Purchaser’s Commitment; provided, however, that no Purchaser shall be obligated to make the initial Purchase or any Capital Increase if, after giving effect to such Purchase or such Capital Increase, (A) the sum of the Capital then outstanding would exceed (B) the lesser of (x) the Total Commitment and (y)(i) the Net Receivables Pool Balance minus (ii) the Applicable Reserve. The initial Purchase and each Capital Increase shall be made by the Purchasers simultaneously and ratably in accordance with their respective Commitments.

(b) On the terms and conditions hereinafter set forth, the Agent on behalf of the Owners shall, at the request of the Seller, have the Collections attributable to any reduction of Capital reinvested pursuant to Section 2.07 in additional Purchased Property.

**Section 2.02. Making the Purchase and Capital Increases.**

(a) The initial Purchase and each Capital Increase by the Purchasers shall be made on notice from the Seller to the Agent, given not later than 11:00 a.m. (New York City time) (i) on the third Business Day before the date of such Purchase or Capital Increase if Yield in respect thereof is initially calculated at the Citicorp LIBO Rate and (ii) on the Business Day before the date of such Purchase or Capital Increase if Yield in respect thereof is initially calculated at the Citicorp Base Rate. Each such notice of a proposed Purchase or Capital Increase (a “Notice of Purchase”) shall be by telephone (confirmed promptly thereafter in writing) or facsimile, in substantially the form of Exhibit F hereto, and shall specify the requested aggregate amount of Capital for such Purchase or Capital Increase to be paid

to the Seller and the requested Business Day of such Purchase or Capital Increase. If Yield in respect of the initial Purchase or any Capital Increase is initially calculated at the Citicorp LIBO Rate, such Purchase or Capital Increase shall be in an aggregate amount of not less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and if Yield in respect of the initial Purchase or any Capital Increase is initially calculated at the Citicorp Base Rate, such Purchase or Capital Increase shall be in an aggregate amount of not less than \$1,000,000 or an integral multiple of \$1,000,000 in excess thereof.

(b) The Agent shall give each Purchaser prompt notice of such proposed Purchase or Capital Increase, the date of such Purchase or Capital Increase, and the amount of Capital to be paid by such Purchaser in connection with such Purchase or Capital Increase, by telephone or telefax. On the date of such Purchase or Capital Increase, each Purchaser shall, upon satisfaction of the applicable conditions set forth in Article III, make available to the Agent its ratable share of the aggregate amount of Capital in respect of such Purchase or Capital Increase by deposit of such ratable share in same day funds to the Agent's Account, and, after receipt by the Agent of such funds, the Agent shall cause such funds to be made immediately available to the Seller at the Seller's Account.

(c) Each Notice of Purchase delivered pursuant to Section 2.02(a) shall be irrevocable and binding on the Seller. The Seller shall indemnify each Purchaser against any actual loss or expense incurred by such Purchaser as a result of any failure to fulfill on or before the date of the proposed initial Purchase or Capital Increase (as to which a Notice of Purchase has been given pursuant to Section 2.02(a)) the applicable conditions set forth in Article III, including, without limitation, any actual loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Purchaser to fund its ratable portion of such proposed Purchase or Capital Increase when such Purchase or Capital Increase, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Purchaser prior to the date of such Purchase or Capital Increase that such Purchaser will not make available to the Agent such Purchaser's ratable portion of the Capital for such Purchase or Capital Increase, the Agent may assume that such Purchaser has made such portion available to the Agent on the date of such Purchase or Capital Increase in accordance with Section 2.02(b), and the Agent may, in reliance upon such assumption, make available to the Seller on such date a corresponding amount. However, if the Agent has received such notice from such Purchaser, the Agent may not make such assumption and may not make available to the Seller on such date such corresponding amount. If and to the extent that such Purchaser (other than a Purchaser that has delivered to the Agent a notice of the type described in the two immediately preceding sentences) shall not have made such ratable portion available to the Agent and the Agent has made such ratable portion available to the Seller, such Purchaser and the Seller severally agree to pay (to the extent not repaid by the Seller or such Purchaser, respectively) 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 the Seller until the date such amount is repaid to the Agent, at (i) in the case of the Seller, the Yield applicable to such amount and (ii) in the case of such Purchaser, the Federal Funds Rate. If such Purchaser shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Purchaser's ratable portion of such Purchase or Capital Increase for purposes of this Agreement.

(e) The failure of any Purchaser to make available such Purchaser's ratable portion of any Purchase or Capital Increase shall not relieve any other Purchaser of its obligation, if any, hereunder to make available such other Purchaser's ratable portion of such Purchase or Capital Increase on the date of such Purchase or Capital Increase, but no Purchaser shall be responsible for the failure of any other Purchaser to make available such other Purchaser's ratable portion of such Purchase or Capital Increase on the date of any Purchase or Capital Increase. Nothing herein shall prejudice any rights that the Seller may have against any Purchaser as a result of any default by such Purchaser hereunder.

(f) Effective upon the date of the initial Purchase, the date of each reinvestment under Section 2.07, the date on which any reinvestment would have been made but for a requested reduction of Capital under Section 2.05 and the date of each Capital Increase, the Seller hereby Transfers to the Agent on behalf of the Purchasers (to the extent not then already Transferred to and held by the Agent on behalf of the Purchasers prior to any such effective date) (i) each Receivable then existing, (ii) all Related Security with respect to such Receivables, and (iii) all Collections with respect to, and other proceeds of, such Receivables and Related Security. The interest of each Owner at any time in the Purchased Property shall be its ratable share thereof, based on its Capital Investment at such time as compared to the Capital Investments of all Owners at such time.

(g) The aggregate purchase price for all of the Purchased Property is the aggregate of the amounts payable to the Seller on account of Capital under Sections 2.01, 2.02 or 2.03, the amounts payable to the Seller as reinvestments in Purchased Property and amounts payable to the Seller or applied to discharge amounts owed by the Seller pursuant to Sections 2.07(a)(i)(C) or (v) or 2.08(i), (ii), (iii), (v) or (vi).

### **Section 2.03. Swing Increases**

(a) On the terms and subject to the conditions contained in this Agreement, the Swing Purchaser may, in its sole discretion, make, in U.S. Dollars, Capital Increases (each a "Swing Increase") otherwise committed to the Seller hereunder from time to time on any Business Day during the period from the date hereof until the Termination Date in an aggregate principal amount at any time outstanding (together with the aggregate outstanding principal amount of any other Capital Increase made by the Swing Purchaser hereunder in its capacity as the Swing Purchaser) not to exceed the Swing Increase Sublimit; provided, however, that at no time shall the Swing Purchaser make any Swing Increase to the extent that, after giving effect to such Swing Increase, (A) the sum of the Capital then outstanding, would exceed (B) the lesser of (x) the Total Commitment and (y)(i) the Net Receivables Pool Balance minus (ii) the Applicable Reserve.

(b) In order to request a Swing Increase, the Seller shall telecopy (or forward by electronic mail or similar means) to the Agent a duly completed request in substantially the form of Exhibit G, setting forth the requested amount and date of such Swing Increase (a "Swing Increase Request"), to be received by the Agent not later than 12:00 p.m. (New York City time) on the day of the proposed purchase. The Agent shall promptly notify the Swing Purchaser of the details of the requested Swing Increase. Subject to the terms of this Agreement, the Swing Purchaser may make the Capital Investment in connection with such Swing Increase available to the Agent and, in turn, the Agent shall make such amounts available to the Seller on the date of the relevant Swing Increase Request. The Swing Purchaser shall not make any Swing Increase in the period commencing on the first Business Day after it receives written notice from the Agent or any Purchaser that one or more of the conditions precedent contained in Section 3.02 shall not on such date be satisfied, and ending when such conditions are satisfied. The Swing Purchaser shall not otherwise be required to determine that, or take notice whether, the conditions precedent set forth in Section 3.02 have been satisfied in connection with the making of any Swing Increase. Each Swing Increase shall be in an aggregate amount of not less than \$100,000.

(c) The Swing Purchaser shall notify the Agent in writing (which writing may be a telecopy or electronic mail) weekly, by no later than 10:00 a.m. (New York City time) on the first Business Day of each week, of the aggregate principal amount of its Capital Investment in connection with Swing Increases.

(d) The Swing Purchaser may demand at any time that each Purchaser pay to the Agent, for the account of the Swing Purchaser, in the manner provided in clause (e) below, such Purchaser's ratable portion of all or a portion of the Swing Purchaser's Capital outstanding in connection with Swing Increases, which demand shall be made through the Agent, shall be in writing and shall specify the outstanding principal amount of the Capital demanded to be so reduced.

(e) The Agent shall forward each notice referred to in clause (c) above and each demand referred to in clause (d) above to each Purchaser on the day such notice or such demand is received by the Agent (except that any such notice or demand received by the Agent after 2:00 p.m. (New York City time) on any Business Day or any such demand received on a day that is not a Business Day shall not be required to be forwarded to the Purchasers by the Agent until the next succeeding Business Day), together with a statement prepared by the Agent specifying the amount of each Purchaser's ratable portion of the aggregate principal amount of the Capital in connection with Swing Increases stated to be outstanding in such notice or demanded to be paid pursuant to such demand, and, notwithstanding whether or not the conditions precedent set forth in Section 3.02 and 2.01 shall have been satisfied (which conditions precedent the Purchasers hereby irrevocably waive), each Purchaser shall, before 11:00 a.m. (New York City time) on the Business Day next succeeding the date of such Purchaser's receipt of such notice or demand, make available to the Agent, in immediately available funds, for the account of the Swing Purchaser, the amount specified in such statement; provided, however, that notwithstanding anything to the contrary in the foregoing, no Purchaser shall be obligated to purchase a ratable portion of, or otherwise pay any sum in respect of, a Swing Increase if the purchase by such Purchaser of a ratable portion of, or payment of other sum in respect of, such Swing Increase would cause such Purchaser's aggregate Capital Investment to exceed its Commitment. Upon such purchase by a Purchaser, such Purchaser shall, except as provided in clause (f), be deemed to have made a Capital Increase with a Capital Investment equal to the amount actually paid by such Purchaser. The Agent shall use such funds to reduce the Swing Purchaser's Capital in respect of Swing Increases.

(f) Upon the occurrence of an Event of Termination under Section 7.01(f), each Purchaser shall acquire, without recourse or warranty, an undivided participation in each Swing Increase otherwise required to be repaid by such Purchaser pursuant to clause (e) above, which participation shall be in a principal amount equal to such Purchaser's ratable portion of such Swing Increase, by paying to the Swing Purchaser on the date on which such Purchaser would otherwise have been required to make a payment in respect of such Swing Increase pursuant to clause (e) above, in immediately available funds, an amount equal to such Purchaser's ratable portion of such Swing Increase. If all or part of such amount is not in fact made available by such Purchaser to the Swing Purchaser on such date, the Swing Purchaser shall be entitled to recover any such unpaid amount on demand from such Purchaser together with interest accrued from such date at the Federal Funds Rate for the first Business Day after such payment was due and thereafter at the Citicorp Base Rate.

(g) From and after the date on which any Purchaser (i) is deemed to have made a Capital Increase pursuant to clause (e) above with respect to any Swing Increase or (ii) purchases an undivided participation interest in a Swing Increase pursuant to clause (f) above, the Swing Purchaser shall promptly distribute to such Purchaser such Purchaser's share of all payments of Capital of and Yield received by the Swing Purchaser on account of such Swing Increase other than those received from a Purchaser pursuant to clause (e) or (f) above.

**Section 2.04. [Deleted]**

**Section 2.05. Termination or Reduction of the Commitments.**

The Seller may, upon at least 5 Business Days' notice to the Agent, and so long as, after giving effect to a proposed reduction, no Event of Termination or Potential Event of Termination, including, without limitation, by reference to Section 5.07(b), would exist, terminate in whole or reduce in part, the unused portions of the Commitments of the Purchasers; provided, however, that for purposes of this Section 2.05, the unused portions of the Commitments of the Purchasers shall be computed as the excess of (i) the aggregate of the Commitments of the Purchasers immediately prior to giving effect to such termination or reduction over (ii) the aggregate Capital outstanding at the time of such computation; provided, further, that each such partial reduction of the unused portions of the Commitments (i) shall be in an amount equal to at least \$5,000,000 and shall be an integral multiple of \$1,000,000 in excess thereof, (ii) shall be made ratably among the Purchasers in accordance with their respective Commitments and (iii) shall reduce the Total Commitment in an amount equal to each such reduction.

**Section 2.06. Receivable Percentage.**

The Receivable Percentage shall be initially computed as of the opening of business of the Servicer on the date of the initial Purchase and the date of each Capital Increase. Thereafter until the Termination Date, the Receivable Percentage shall be automatically recomputed as of the close of business of the Servicer on each day (other than a Liquidation Day). The Receivable Percentage 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. The Receivable Percentage, as computed as of the day immediately preceding the Termination Date, shall remain constant at all times on and after the Termination Date. Such Receivable Percentage shall become zero at such time as the Owners shall have irrevocably received the accrued Yield for their Capital, shall have irrevocably recovered the related Capital Investment, and shall have irrevocably received payment of all other amounts payable by the Seller to the Owners, and the Servicer shall have received the accrued Servicer Fee, if any.

**Section 2.07. Non-Liquidation Settlement Procedures.**

(a) On each day (other than a Liquidation Day) the Agent shall, out of Collections of Pool Receivables received on such day:

(i) first, set aside and hold in trust for the Servicer and the Owners an amount in U.S. Dollars equal to the sum of (A) the Servicer Fee, if any, accrued through such day and not so previously set aside, (B) the aggregate Yield, the Unused Commitment Fee, the Agent's Fee and any other fees accrued hereunder through such day and not so previously set aside, and (C) the aggregate of any other amounts then accrued or owed hereunder by the Seller to such Owners and not so previously set aside;

(ii) second, distribute an amount in U.S. Dollars equal to the aggregate Capital Investments made in respect of Swing Increases to the Swing Purchaser, to be applied to reduce the Capital of such Swing Increases;

(iii) third, if such day is the second Business Day of the week, distribute to the Owners an amount in U.S. Dollars equal to that amount, if any, which would be required to reduce Capital so that the Receivable Percentage 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 the Receivable Percentage pursuant to Section 2.06 as of the end of such day, exceed 100%;

(iv) fourth, set aside the remainder of such Collections in an amount not greater than the aggregate Capital then outstanding, for the benefit, on a pari passu basis, of the Owners; and

(v) fifth, to the extent of any further remaining Collections and subject to Sections 2.10(f) and 11.09(b), return the remainder of such Collections to the Seller.

(b) On each applicable Yield Payment Date, the Agent shall distribute the amounts set aside as described in clause (i) of Section 2.07(a) above (other than the Agent's Fee), first, to the Servicer in payment of the accrued Servicer Fee, if any, payable, to the Owners in payment of the accrued Yield and the Unused Commitment Fees, pari passu, and second, in payment of any other amounts then owed by the Seller hereunder (including, without limitation, all fees payable hereunder and not paid above except for the Servicer Fee). On each day, the Agent shall distribute the amounts set aside as described in clause (iv) of Section 2.07(a) above to the Seller as reinvestment in Purchased Property, for the benefit of the Owners.

(c) On each anniversary of the Effective Date, the Agent shall distribute the amounts set aside as described in clause (i) of Section 2.07(a) with respect to the Agent's Fee to the Agent in payment of the Agent's Fee for the twelve-month period then commencing.

(d) In the case of Collections of Canadian Dollar Receivables, the Agent shall convert such Collections to U.S. Dollars in accordance with Agent's normal practices and procedures and all distributions set forth in clauses (a) and (b) above will be in U.S. Dollars.

(e) Any application of Collections to amounts owing by the Seller is without limitation to the obligation of the Seller to pay such amounts and made pursuant to the rights of the Agent and the Owners under Sections 2.10(f) and 11.09(b).

#### **Section 2.08. Liquidation Settlement Procedures.**

(a) On each Liquidation Day, the Agent shall, out of the Collections of Pool Receivables received on such day, deposit to the Agent's Account the Collections of Pool Receivables received on such day and shall apply them as follows:

(i) first, to pay obligations of the Seller to the Agent under any Transaction Document in respect of any expense reimbursements, Cash Management Obligations or indemnities then due to the Agent;

(ii) second, to pay obligations of the Seller to the Owners under any Transaction Document in respect of any expense reimbursements or indemnities then due to such Persons;

(iii) third, to the Servicer in payment of the accrued Servicer Fee, if any, then payable, to the Owners in payment of the accrued Yield, Unused Commitment Fees and the aggregate of any other amounts then accrued or owed hereunder by the Seller to such Owners;

(iv) fourth, to the Owners in reduction (to zero) of the Capital of each Owner;

(v) fifth, to the Owners in ratable payment of any other amounts owed by the Seller hereunder or under any Transaction Document (including, without limitation, all fees payable hereunder and not paid above except for the Servicer Fee); and

(vi) sixth, subject to Sections 2.10(f) and 11.09(b), to the Seller;

provided, however, that if sufficient funds are not available to fund all payments to be made in respect of any obligation described in any of clauses first, second, third, fourth and fifth above, the available funds being applied with respect to any such obligations (unless otherwise specified in such clause) shall be allocated to the payment of the obligations referred to in such clause ratably, based on the proportion of the Servicer's, the Agent's, or the Owners' interest in the aggregate outstanding obligations described in such clause.

(b) In the case of Collections of Canadian Dollar Receivables, the Agent shall convert such Collections to U.S. Dollars in accordance with Agent's normal practices and procedures and all payments set forth in clause (a) above will be in U.S. Dollars.

(c) Any application of the Collections to amounts owing by the Seller is without limitation to the obligation of the Seller to pay such amounts and made pursuant to the rights of the Agent and the Owners under Sections 2.10(f) and 11.09(b).

#### **Section 2.09. General Settlement Procedures.**

(a) If on any day the Outstanding Balance of a Pool Receivable is either (i) reduced as a result of any defective, rejected or returned goods or services, any discount, or any adjustment by the Seller or the Canadian Originator, or (ii) reduced or cancelled as a result of a setoff in respect of any claim by the Obligor thereof against the Seller or the Canadian Originator (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 and shall make the payment required to be made by it in connection with such Collection on the day required by, and otherwise pursuant to, Section 5.01(g). If on any day any of the representations or warranties in Section 4.01(h) is no longer true with respect to any Pool Receivable, the Seller shall be deemed to have received on such day a Collection in full of such Pool Receivable and shall make the payment required to be made by it in connection with such Collection on the day required by, and otherwise pursuant to, Section 5.01(g). Except as stated in the preceding sentences of this Section 2.09(a) 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. If at any time any Obligor is required to pay interest or finance charges in connection with any Receivable or the related Contract, then all payments made by such Obligor in connection with such Receivable shall, unless otherwise expressly provided for in the applicable Contract, be applied on account of the Outstanding Balance of such Receivable and not on account of such interest or finance charges, until such time as the Outstanding Balance thereof has been fully repaid.

(b) On or prior to the tenth Business Day of each calendar month, the Servicer shall prepare and furnish to the Agent for each Owner:

(i) a Seller Report relating to each Owner and the Capital Investment thereof, as of the close of business of the Servicer on the last day of the immediately preceding calendar month,

(ii) a listing of the ten Obligor owing the greatest Dollar Equivalent amount of Pool Receivables, together with a report setting forth (A) the name of such Obligor, (B) the balance of the Pool Receivables owing by such Obligor as of such date, and (C) a summary of credit terms applicable to such Pool Receivables under the applicable Contract,

(iii) a listing by Obligor of all Pool Receivables, together with an analysis as to the aging of such Receivables, as of such last day, and

(iv) such other information as shall be reasonably requested from time to time by the Agent or by the Agent at the request of the Required Purchasers.

(c) Within 10 days after the end of each calendar month (or more frequently if (x) requested by the Agent or (y) Total Excess Availability shall be less than \$50,000,000, but, in the case of clauses (x) and (y), in no event more frequently than once each Business Day) by no later than 12:00 noon (New York City time), the Servicer shall prepare and furnish to the Agent for the Owners a Receivables Report relating to each Owner and the Capital Investment thereof as at the end of the last calendar day of the immediately preceding month (or such shorter period, not earlier than the immediately preceding Business Day, if requested by Agent) stating (i) the aggregate amount of the Net Receivables Pool Balance as of the end of the immediately preceding reporting period, in such detail as shall be satisfactory to the Agent, (ii) the aggregate amount of the Collections from the Pool Receivables received by or on behalf of the Servicer as of the end of the immediately preceding reporting period, in such detail as shall be satisfactory to the Agent, (iii) the aggregate of sales and billings of the Canadian Originator as of the end of the immediately preceding reporting period, and (iv) such other information as shall be specified from time to time by the Agent or by the Agent at the request of the Required Purchasers.

(d) The Servicer shall promptly notify the Agent in writing in the event that at any time the Servicer receives or otherwise gains knowledge that any of the following is true: (i) the Net Receivables Pool Balance is less than 90% of the Net Receivables Pool Balance reflected in the most recent Receivables Report delivered pursuant to Section 2.09(c) above, or (ii) the Net Receivables Pool Balance is less than 105% of the Required Net Receivables Pool Balance, or (iii) the outstanding Capital exceeds the Net Receivables Pool Balance as a result of a decrease therein, in which case such notice shall also include the amount of such excess.

#### **Section 2.10. Payments and Computations, Etc.**

(a) All amounts to be paid or deposited by the Seller or the Servicer hereunder shall be paid or deposited in accordance with the terms hereof no later than 12:00 noon (New York City time) on the day when due in U.S. Dollars in same day funds to the Agent's Account. The Agent shall promptly thereafter cause to be distributed (i) like funds relating to the payment out of Collections in respect of Capital, Yield, Servicer Fee or other amounts payable out of Collections, to the Owners (ratably in accordance with their respective interests) and the Servicer in accordance with the provisions of Section 2.07 or 2.08, as applicable, and (ii) like funds relating to the payment by the Seller of fees and other amounts payable by the Seller hereunder, to the parties hereto for whose benefit such funds were paid (and if such funds are insufficient, such distribution shall be made, subject to Section 2.07 or 2.08, as applicable, ratably in accordance with the respective amounts thereof). Upon the Agent's acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.01(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder in respect of the interest assigned thereby to the 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) The Seller shall, to the extent permitted by law, pay to the Agent interest on all amounts not paid or deposited when due hereunder (except for those amounts with respect to which Yield accrues) at 2.00% per annum above the Alternate Base Rate in effect from time to time, 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 for the account of, and distributed by the Agent to, the applicable Owners ratably in accordance with their respective interests in such overdue amount.

(c) All computations of interest and all computations of Yield, Unused Commitment Fee and other per annum 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. For purposes of the Interest Act (Canada), where in this Agreement a rate of interest is to be calculated on the basis of a period of less than one year, the yearly rate of interest to which the said rate is equivalent is the said rate divided by the actual number of days in the period for which such calculation is made and multiplied by 365 days (or 366 days in the case of a leap year).

(d) The Seller hereby authorizes each Owner, if and to the extent payment owed by the Seller to such Owner is not made to the Agent when due hereunder, to charge from time to time against any or all of the Seller's accounts with such Owner any amount so due.

(e) Unless the Agent shall have received notice from the Servicer or the Seller prior to the date on which any payment is due to the Owners hereunder that the Servicer or the Seller, as the case may be, will not make such payment in full, the Agent may assume that the Servicer or the Seller, as the case may be, has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Owner on such due date an amount equal to the amount then due such Owner. If and to the extent the Servicer or the Seller, as the case may be, shall not have so made such payment in full to the Agent, each Owner shall repay to the Agent forthwith on demand such amount distributed to such Owner together with interest thereon, for each day from the date such amount is distributed to such Owner until the date such Owner repays such amount to the Agent, at the Federal Funds Rate.

(f) The Seller hereby irrevocably and unconditionally waives and relinquishes to the fullest extent it may legally do so any right of setoff, counterclaim, recoupment, defense and other right or claim which the Seller may have against the Agent or any Owner as a result of or arising out of the failure of the Agent or any Owner to pay any amount owing hereunder or in connection herewith. The Agent may set-off and apply against, or deduct from, any amount payable to the Seller or the Servicer by the Agent (or by the Servicer on its behalf), any amounts then due and owing by the Seller or Servicer hereunder to any Owner or to the Agent or any other Indemnified Party, and may instruct any Servicer to do so on its behalf out of any amounts then or thereafter held by such Servicer that otherwise would have been paid to a Seller or Servicer on behalf of an Owner or the Agent.

#### **Section 2.11. Yield and Fees.**

(a) All Capital Investments and the outstanding amount of all other obligations hereunder shall bear a Yield, in the case of Capital Investments, on the principal amount thereof from the date such Capital Investments are made and, in the case of such other obligations, from the date such other obligations are due and payable until, in all cases, paid in full, at the Citicorp Rate.

(b) The Seller shall pay to the Agent such fees as are set forth in the Second Amended and Restated Fee Letter.

(c) The Seller shall pay to the Agent for remittance to the Servicer (at any time that it is not PolyOne or an Affiliate of PolyOne) from the later of the date of the initial Purchase hereunder and the date on which such Person becomes Servicer hereunder until the later of the Termination Date or the date on which Capital is reduced to zero, a fee (the “Servicer Fee”) equal to the lesser of (i) 1% per annum on the average daily amount of Capital, and (ii) 120% of the costs and expenses referred to in Section 6.02(c), such fee payable in arrears on the Yield Payment Date for each Yield Period; provided, however, that, so long as the Servicer is PolyOne or an Affiliate of PolyOne, the Servicer shall not be paid any Servicer Fee hereunder, it being acknowledged and agreed by PolyOne that any amounts owing to PolyOne or any such Affiliate in consideration for such services shall be the responsibility of and paid by the Canadian Originator. Any Servicer Fee shall be payable only from Collections pursuant to, and subject to the priority of payment set forth in, Sections 2.07 and 2.08.

(d) The Seller shall pay to the Agent for the account of each Purchaser, an unused commitment fee (an “Unused Commitment Fee”) equal to the product of (i) the Unused Commitment Fee Rate and (ii) the average daily Unused Commitment of such Purchaser. The Unused Commitment Fee will be payable monthly in arrears and on the Termination Date.

#### **Section 2.12. Special Provisions Governing Capital Investments at the Citicorp LIBO Rate.**

(a) Increased Costs. If, due to either (i) a change after the date hereof in Regulation D of the Board of Governors of the Federal Reserve System (to the extent any cost incurred pursuant to such regulation is not included in the calculation of Adjusted LIBO Rate), (ii) the introduction of or any change after the date hereof in or in the interpretation of any law or regulation (other than any law or regulation relating to taxes, as to which Section 2.14 shall govern) or (iii) the compliance with any guideline or request issued or made after the date hereof from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to (or, in the case of Regulation D of the Board of Governors of the Federal Reserve System, there shall be imposed a cost on) any Indemnified Party of agreeing to make or making any Purchase or Capital Increase or any interest therein hereunder, then the Seller shall from time to time, upon demand and delivery to the Seller of the certificate referred to in the last sentence of this Section 2.12(a) by such Indemnified Party (or by the Agent for the account of such Indemnified Party) (with a copy of such demand and certificate to the Agent), pay to the Agent for the account of such Indemnified Party additional amounts sufficient to compensate such Indemnified Party for such increased or imposed cost. Each Indemnified Party hereto agrees to use reasonable efforts promptly to notify the Seller of any event referred to in clause (i), (ii) or (iii) above, provided that the failure to give such notice shall not affect the rights of any Indemnified Party under this Section 2.12(a). Each Indemnified Party agrees that it shall use reasonable efforts to designate another applicable office of such Indemnified Party to hold its interest in the Purchased Property if the amounts payable to it under this Section 2.12(a) would thereby be reduced and if the making, funding or maintenance of its interest in the Purchased Property through such other applicable office would not otherwise adversely affect such interest or such Indemnified Party. A certificate in reasonable detail as to the basis for and the amount of such increased cost, submitted to the Seller and the Agent by such Indemnified Party (or by the Agent for the account of such Indemnified Party) shall be conclusive and binding for all purposes, absent manifest error.

(b) Interest Rate Unascertainable, Inadequate or Unfair. In the event that (i) the Agent determines that adequate and fair means do not exist for ascertaining the applicable interest rates by reference to which the Adjusted LIBO Rate then being determined is to be fixed or (ii) the Required Purchasers notify the Agent that the Adjusted LIBO Rate for any Yield Period will not adequately reflect the cost to the Purchasers of making a Capital Investment or maintaining such Capital Investment for such

Yield Period, the Agent shall forthwith so notify the Seller and the Purchasers, whereupon the Citicorp Rate for such Capital Investment shall automatically, on the last day of the current Yield Period for such Capital Investment, convert into the Citicorp Base Rate and the obligations of the Purchasers to make a Capital Investment or maintain a Capital Investment at the Citicorp LIBO Rate shall be suspended until the Agent shall notify the Seller that the Required Purchasers have determined that the circumstances causing such suspension no longer exist.

(c) Illegality. Notwithstanding any other provision of this Agreement, if any Purchaser determines that the introduction of, or any change in or in the interpretation of, any law, treaty or governmental rule, regulation or order after the date of this Agreement shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Purchaser to make a Capital Investment or maintain a Capital Investment at the Citicorp LIBO Rate, then, on notice thereof and demand therefor by such Purchaser to the Seller through the Agent, (i) the obligation of such Purchaser to make a Capital Investment or maintain a Capital Investment at the Citicorp LIBO Rate shall be suspended, and each such Purchaser shall make Capital Investments at the Citicorp Base Rate and (ii) if the affected Capital Investments at the Citicorp LIBO Rate are then outstanding, the Seller shall immediately convert each such Capital Investment into a Capital Investment at the Citicorp Base Rate. If, at any time after a Purchaser gives notice under this Section 2.12(c), such Purchaser determines that it may lawfully make Capital Investments at the Citicorp LIBO Rate, such Purchaser shall promptly give notice of that determination to the Seller and the Agent, and the Agent shall promptly transmit the notice to each other Purchaser. The Seller's right to request, and such Purchaser's obligation, if any, to make Capital Investments at the Citicorp LIBO Rate shall thereupon be restored.

(d) Liquidation Costs. In addition to all amounts required to be paid by the Seller hereunder, the Seller shall compensate each Purchaser, upon demand, for all losses, expenses and liabilities (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Purchaser to fund or maintain such Purchaser's Capital Investments at the Citicorp LIBO Rate but excluding any loss of the Applicable Margin on the relevant Capital Investments) (each, a "Liquidation Cost") that such Purchaser may sustain (i) if for any reason a proposed Capital Investment, conversion into or continuation of Capital Investments at the Citicorp LIBO Rate does not occur on a date specified therefor in a Notice of Purchase given by the Seller or in a telephonic request by it for Purchase or a successive Yield Period does not commence after notice therefor is given hereunder, (ii) if for any reason any Capital Investment at the Citicorp LIBO Rate is reduced (including mandatorily pursuant to Section 2.07) on a date that is not the last day of the applicable Yield Period, (iii) as a consequence of a required conversion of a Capital Investment at the Citicorp LIBO Rate to Capital Investment at the Citicorp Base Rate as a result of any of the events indicated in Section 2.12(c) above or (iv) as a consequence of any failure by the Seller to reduce Capital Investment at the Citicorp LIBO Rate when required by the terms hereof. The Purchaser making demand for such compensation shall deliver to the Seller concurrently with such demand a written statement as to such losses, expenses and liabilities, and this statement shall be conclusive as to the amount of compensation due to such Purchaser, absent manifest error.

### **Section 2.13. Increased Capital.**

If any Indemnified Party determines that either the introduction of or any change in or in the interpretation of any law or regulation after the date hereof or the compliance with any guideline or request issued or made after the date hereof from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Indemnified Party or any corporation controlling such Indemnified Party and that the amount of such capital is increased by or based upon the existence of such Indemnified Party's

commitment, if any, to make Capital Investments, or to maintain such Capital Investments hereunder, then, upon demand and delivery to the Seller of the certificate referred to in the last sentence of this Section 2.13 by such Indemnified Party (or by the Agent for the account of such Indemnified Party) (with a copy of such demand and certificate to the Agent) the Seller shall pay to the Agent for the account of such Indemnified Party from time to time, as specified by such Indemnified Party, additional amounts sufficient to compensate such Indemnified Party or such corporation in the light of such circumstances, to the extent that such Indemnified Party reasonably determines such increase in capital to be allocable to the existence of any such commitment. Each Indemnified Party hereto agrees to use reasonable efforts promptly to notify the Seller of any event referred to in the first sentence of this Section 2.13, provided that the failure to give such notice shall not affect the rights of any Indemnified Party under this Section 2.13. A certificate in reasonable detail as to the basis for, and the amount of, such compensation submitted to the Seller and the Agent by such Indemnified Party (or by the Agent for the account of such Indemnified Party) shall be conclusive and binding for all purposes, absent manifest error.

#### **Section 2.14. Taxes.**

(a) Any and all payments by the Seller hereunder or deposits from Collections hereunder shall be made, in accordance with Section 2.10, 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 Indemnified Party, (i) taxes that are imposed on its overall net income by the United States and (ii) taxes that are imposed on its overall net income, assets or net worth (and franchise taxes imposed in lieu thereof) by the state or foreign jurisdiction under the laws of which such Indemnified Party is organized or qualified to do business or in which such Indemnified Person holds any assets in connection with this Agreement or, in each case, any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or deposits from Collections hereunder being hereinafter referred to as “Taxes”). If the Seller or the Servicer or the Agent or any Obligor shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or deposit from Collections hereunder to any Indemnified Party, (i) the sum payable by Seller 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 Indemnified Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Seller or the Servicer or the Agent shall make such deductions and (iii) the Seller or the Servicer or the Agent shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Seller shall pay any present or future sales, stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or deposit from Collections hereunder or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement, the Canadian Receivables Sale Agreement, the Canadian Consent and Agreement or the Second Amended and Restated Fee Letter (hereinafter referred to as “Other Taxes”).

(c) The Seller shall indemnify each Indemnified Party for and hold it harmless against the full amount of Taxes and Other Taxes (including, without limitation, taxes of any kind imposed by any jurisdiction on amounts payable under this Section 2.14) imposed on or paid by such Indemnified Party and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Indemnified Party makes written demand therefor (with a copy to the Agent).

(d) Within 30 days after the date of any payment of Taxes, the Seller shall furnish to the Agent and each applicable Purchaser, at its address referred to in Section 11.02, the original or a certified copy of a receipt evidencing such payment.

(e) [deleted].

(f) [deleted].

#### **Section 2.15. Sharing of Payments, Etc.**

If any Purchaser shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off or otherwise) on account of the Purchases made by it (other than with respect to payments due to such Purchaser pursuant to Section 2.12, 2.13 or 2.14) in excess of its ratable share of payments on account of the Purchases obtained by all the Purchasers, such Purchaser shall forthwith purchase from the other Purchasers such interests in the Capital Investments made by them as shall be necessary to cause such Purchaser 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 Purchaser, such purchase from each other Purchaser shall be rescinded and such other Purchaser shall repay to the Purchaser the purchase price to the extent of such recovery together with an amount equal to such other Purchaser's ratable share (according to the proportion of (i) the amount of such other Purchaser's required repayment to (ii) the total amount so recovered from the Purchaser) of any interest or other amount paid or payable by the Purchaser in respect of the total amount so recovered. The Seller agrees that any Purchaser so purchasing an interest in the Capital Investments made by another Purchaser 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 interest in such Capital Investments as fully as if such Purchaser were the direct creditor of the Seller in the amount of such Capital Investments made by them.

#### **Section 2.16. Conversion/Continuation Option.**

(a) The Seller may elect (i) at any time on any Business Day, to convert Capital Investments in respect of which Yield is calculated at the Citicorp Base Rate (other than Swing Increases) or any portion thereof to Capital Investments in respect of which Yield is calculated at the Citicorp LIBO Rate and (ii) at the end of any applicable Yield Period, to convert Capital Investments in respect of which Yield is calculated at the Citicorp LIBO Rate or any portion thereof into Capital Investments in respect of which Yield is calculated at the Citicorp Base Rate or to continue such Capital Investments in respect of which Yield is calculated at the Citicorp LIBO Rate or any portion thereof for an additional Yield Period; provided, however, that the aggregate amount of the Capital Investments in respect of which Yield is calculated at the Citicorp LIBO Rate for each Yield Period must be in an amount of at least \$10,000,000 or an integral multiple of \$2,500,000 in excess thereof. Each conversion or continuation shall be allocated among the Capital Investments of each Purchaser in accordance with such Purchaser's ratable share of the aggregate Capital Investments. Each such election shall be in substantially the form of Exhibit I (a "Notice of Conversion or Continuation") and shall be made by giving the Agent at least 3 Business Days' prior written notice specifying (A) the amount and type of Capital Investment being converted or continued, (B) in the case of a conversion to or a continuation of Capital Investments in respect of which Yield is calculated at the Citicorp LIBO Rate, the applicable Yield Period and (C) in the case of a conversion, the date of such conversion.

(b) The Agent shall promptly notify each Purchaser of its receipt of a Notice of Conversion or Continuation and of the options selected therein. Notwithstanding the foregoing, no conversion in whole or in part of Capital Investments in respect of which Yield is calculated at the Citicorp Base Rate to



Capital Investments in respect of which Yield is calculated at the Citicorp LIBO Rate and no continuation in whole or in part of Capital Investments in respect of which Yield is calculated at the Citicorp LIBO Rate upon the expiration of any applicable Yield Period shall be permitted at any time at which (i) a Potential Event of Termination or an Event of Termination shall have occurred and be continuing or (ii) the continuation of, or conversion into, a Capital Investment in respect of which Yield is calculated at the Citicorp LIBO Rate would violate any provision of Section 2.12. If, within the time period required under the terms of this Section 2.16, the Agent does not receive a Notice of Conversion or Continuation from the Seller containing a permitted election to continue any Capital Investments in respect of which Yield is calculated at the Citicorp LIBO Rate for an additional Yield Period or to convert any such Capital Investments, then, upon the expiration of the applicable Yield Period, such Capital Investments shall be automatically converted to Capital Investments in respect of which Yield is calculated at the Citicorp Base Rate. Each Notice of Conversion or Continuation shall be irrevocable.

### ARTICLE III

#### CONDITIONS OF PURCHASES

##### **Section 3.01. Conditions Precedent to the Effectiveness of this Agreement.**

The effectiveness of this Agreement is subject to the satisfaction of the following conditions precedent:

(a) The Agent and the Syndication Agent shall have received all fees and expenses (including, but not limited to, reasonable fees and expenses of counsel) required to be paid on the Effective Date, pursuant to the terms of this Agreement and the Second Amended and Restated Fee Letter.

(b) The Agent shall have received on or before the Effective Date, the following, each (unless otherwise indicated) dated as of the Effective Date, in form and substance satisfactory to the Agent:

(i) This Agreement, duly executed and delivered by the Seller and the Servicer;

(ii) The Second Amended and Restated Parent Undertaking, dated June 26, 2007 duly executed and delivered by PolyOne;

(iii) The Canadian Receivables Sale Agreement, duly executed by the Seller, PolyOne and the Canadian Originator, together with:

(A) [deleted];

(B) Completed PPSA and other personal property security searches, dated on or a date reasonably near to the Effective Date listing all effective financing statements or similar filings which name the Canadian Originator (under its present name and any previous name used by such Person) as debtor and which are filed in the jurisdictions set forth in Schedule VI, together with copies of such financing statements or similar filings (none of which, except those naming the Canadian Originator as debtor, the Seller as secured party and Citicorp, as Agent, as assignee, and those subject to the termination and releases

to be obtained pursuant to Section 3.04 below, shall cover any Receivables, Related Security, Collections or Contracts);

(C) The Canadian Consent and Agreement, duly executed by the parties thereto; and

(D) The Canadian Subordinated Notes, in substantially the form of Exhibit B to the Canadian Receivables Sale Agreement, payable to the order of the Canadian Originator, and duly executed by the Seller.

(iv) [deleted]

(v) Certified copies, dated as of a recent date, of the charter or articles, by-laws or code of regulations (as the case may be), as amended, of the Seller, the Servicer and the Canadian Originator, respectively.

(vi) Good standing certificates (or its equivalent), dated as of a recent date, issued by the Secretary of State of the jurisdiction of incorporation of the Seller, the Servicer and the Canadian Originator, with respect to the Seller, the Servicer and the Canadian Originator, respectively.

(vii) Certified copies of the resolutions of the Board of Directors of each of the Seller and the Canadian Originator, approving the Transaction Documents to be delivered by it hereunder and the transactions contemplated hereby and thereby.

(viii) A certificate, dated on or a date reasonably near to the Effective Date, of an officer of each of the Seller, the Servicer and the Canadian Originator, certifying the names and true signatures of its officers authorized to sign the Transaction Documents and the other documents to be delivered by it hereunder.

(ix) Proper financing statements naming the Seller as debtor and Citicorp, as Agent, as secured party, and other applicable filings, to be filed under the UCC, PPSA or other comparable law of all jurisdictions that the Agent may deem necessary or desirable in order to perfect the ownership interests created or purported to be created hereby.

(x) Proper financing statement terminations or releases, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts, Related Security or Collections previously granted by the Seller.

(xi) Completed PPSA and other personal property security searches, dated on or a date reasonably near to the Effective Date, listing all effective financing statements filed in the jurisdictions referred to in subsection (b)(ix) above that name the Seller as debtor, together with copies of such other financing statements (none of which, except those subject to the termination and releases described in subsection (x) above, shall cover any Receivables, Related Security, Collections or Contracts).

(xii) Favorable opinions of Gowling LaFleur Henderson LLP, Canadian counsel to the Canadian Originator, the Servicer and the Seller, in substantially the form of Exhibit J hereto as to such other matters as the Agent may reasonably request, including without limitation (1) a "true sale" opinion with respect to the sale of Receivable Assets under and as defined in the Canadian

Receivables Sale Agreement from the Canadian Originator to the Seller and the future sale of Purchased Property hereunder, (2) an opinion with respect to the non-substantive consolidation of the Seller with the Canadian Originator, and (3) an opinion relating to the enforceability of the Transaction Documents, compliance with all laws and regulations, the perfection of all ownership and other interests purported to be granted under the Transaction Documents (with the exception of the perfection opinion to be given under Section 3.03(c) below), and no conflicts with material agreements.

(xiii) A favorable opinion of Weil, Gotshal & Manges LLP, counsel to the Agent, as the Agent may reasonably request; and

(xiv) A certificate of the chief financial officer or treasurer, in the case of the Seller and the Canadian Originator, stating that each of the Seller and the Canadian Originator is Solvent after giving effect to the transactions contemplated hereunder and under the other Transaction Documents, and also satisfies the other tests set out in Section 3.01(v) of the Canadian Receivables Sale Agreement.

(c) Each of the Seller, the Canadian Originator, the Servicer and its Subsidiaries shall have received all necessary governmental and third party consents and approvals necessary in connection with the Transaction Documents and the transactions contemplated thereby (without the imposition of any conditions that are not reasonably acceptable to the Purchasers) and shall remain in effect, and all applicable governmental filings shall have been made and all applicable waiting periods shall have expired without in either case any action being taken by any competent authority; and no law or regulation shall be applicable in the judgment of the Purchasers that restrains, prevents or imposes materially adverse conditions upon the Transaction Documents or the transactions contemplated thereby.

(d) The Agent shall have received the Second Amended and Restated Fee Letter dated June 26, 2007, duly executed by the parties thereto.

(e) A certificate of an officer of each of the Seller and the Canadian Originator certifying that there exists no action, suit, investigation, litigation or proceeding pending or, to its knowledge, threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to result in a Material Adverse Change or (ii) restrains, prevents or imposes or can reasonably be expected to impose materially adverse conditions on the transactions contemplated hereunder.

(f) The Servicer and the Seller shall have each delivered to the Purchasers a pro forma consolidated balance sheet for itself and its Subsidiaries, if any, which shall be in form and substance satisfactory to the Agent and each Purchaser, and there shall not occur as a result of the funding hereunder, a default (or any event which with the giving of notice or lapse of time or both would be a default) under any of the Seller's, the Canadian Originator's or their respective Subsidiaries' debt instruments and other material agreements.

(g) The Agent shall have received evidence that after giving effect to the Purchases occurring on the Effective Date, both hereunder and under the U.S. RPA, Receivables Excess Availability is not less than \$60,000,000.

(h) All conditions to the effectiveness of the U.S. RPA shall have been satisfied.

**Section 3.02. Conditions Precedent to All Purchases, All Capital Increases and Reinvestments.**

Each Purchase (including the initial Purchase by each Purchaser) hereunder and the right of the Servicer to reinvest in Pool Receivables those Collections attributable to a reduction of Capital pursuant to Section 2.07, and each Capital Increase shall be subject to the further conditions precedent that:

(a) with respect to any such Purchase or Capital Increase, on or prior to the date of such Purchase or Capital Increase, the Servicer shall have delivered to the Agent, in form and substance satisfactory to the Agent:

- (i) a completed Seller Report, dated within 31 days prior to the date of such Purchase, together with a listing by Obligor of all Pool Receivables,
- (ii) a completed Receivables Report effective as of the end of the last Business Day of the then immediately preceding week, and
- (iii) such additional information as may be reasonably requested by the Agent; and

(b) on the date of such Purchase or reinvestment or Capital Increase the following statements shall be true (and the acceptance by the Seller of the proceeds of such Purchase or reinvestment or Capital Increase shall constitute a representation and warranty by the Seller that on the date of such Purchase or reinvestment or Capital Increase such statements are true):

(i) the representations and warranties contained in Section 4.01 of this Agreement and in Section 3.01 of the Canadian Receivables Sale Agreement are correct in all material respects on and as of the date of such Purchase or reinvestment or Capital Increase, before and after giving effect to such Purchase or reinvestment or Capital Increase and to the application of the proceeds therefrom, as though made on and as of such date, other than any such representations and warranties that, by their terms, refer to a specific date other than the date of said Purchase or reinvestment or Capital Increase, in which case as of such dates;

(ii) no event has occurred and is continuing, or would result from such Purchase or reinvestment or Capital Increase or from the application of the proceeds therefrom, which constitutes an Event of Termination or a Potential Event of Termination;

(iii) such Purchase or reinvestment or Capital Increase shall not violate any requirement of law and shall not be enjoined, temporarily, preliminarily or permanently; and

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

**Section 3.03. Conditions Precedent to Initial Purchase**

The initial Purchase by each Purchaser hereunder shall be subject to the further conditions precedent that:

(a) The Seller shall have satisfied the obligation in Section 3.04 below;

(b) The Seller shall deliver to the Agent an assignment, similar in form and substance to the Quebec Assignment, assigning all of the Seller's right, title and interest to and in all of the Purchased Assets, and shall have completed registration of same in order to perfect the ownership interests created or purported to be created hereby; and

(c) The Agent shall have received on or before the date of such initial Purchase, in form and substance satisfactory to the Agent, a favorable opinion of Gowling LaFleur Henderson LLP, Canadian counsel to the Canadian Originator, the Servicer and the Seller, in substantially the form of Exhibit J which includes (1) a "true sale" opinion with respect to the sale of the Purchased Property hereunder, and (2) an opinion relating to the perfection of all ownership and other interests purported to be granted under the assignment in paragraph (b) above.

#### **Section 3.04. Financing Statement Terminations and Releases**

Within the 60 days following the Effective Date, Seller shall obtain and provide to the Agent, in form and substance satisfactory to the Agent, proper financing statement terminations or releases necessary to release all security interests and other rights of any Person in the Receivables, Related Security, Collections or Contracts previously granted by the Canadian Originator.

### **ARTICLE IV**

#### **REPRESENTATIONS AND WARRANTIES**

##### **Section 4.01. Representations and Warranties of the Seller.**

The Seller represents and warrants, as of the date hereof and as of the date of each Purchase and each Capital Increase, before and after giving effect to such Purchase or Capital Increase and to the application of the proceeds therefrom, as though made on and as of such date, other than any such representations and warranties that, by their terms, refer to a specific date other than the date of said Purchase or Capital Increase, in which case as of such dates, as follows:

(a) The Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction indicated at the beginning of this Agreement, 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 to the extent that any failure to be so qualified or in good standing as a foreign entity could not reasonably be expected to have a Material Adverse Effect. The Seller has no Subsidiaries. All of the outstanding shares of stock of the Seller are owned by PolyOne Canada.

(b) The execution, delivery and performance by the Seller of the Transaction Documents to which it is a party and the other documents delivered by it hereunder, and the transactions contemplated hereby and thereby, including the Seller's use of the proceeds of Purchases, reinvestments and Capital Increases, are within the Seller's corporate powers, have been duly authorized by all necessary corporate action, do not (i) contravene the Seller's articles or by-laws, (ii) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, or (iii) breach or result in a default under, or result in the acceleration of (or entitle any party to accelerate) the maturity of any obligation of the Seller under, or result in or require the creation of any lien upon or security interest in any property of the Seller pursuant to the terms of, any Contract or any other agreement or instrument (other than any Transaction Document) binding on or affecting the Seller or any of its properties.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Seller of any Transaction Document to which it is a party or any other agreement or document delivered hereunder or for the perfection of or the exercise by any Indemnified Party of its rights and remedies under the Transaction Documents and such other agreements or documents, except for the filings of the financing statements referred to in Article III.

(d) This Agreement has been, and each other Transaction Document to which the Seller is a party when delivered will have been, duly executed and delivered by the Seller. This Agreement is, and the other Transaction Documents to which the Seller is or will be a party when delivered hereunder will be, the legal, valid and binding obligations of the Seller enforceable against the Seller in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and to general equitable principles.

(e) Since December 31, 2006, there has been no Material Adverse Change and there have been no events or developments that, in the aggregate, have had a Material Adverse Effect.

(f) There is no action, suit, investigation, litigation or proceeding pending or, to the knowledge of the Seller, threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to result in a Material Adverse Change or (ii) restrains, prevents or imposes or can reasonably be expected to impose materially adverse conditions upon the Transaction Documents or the transactions contemplated thereby.

(g) No proceeds of any Purchase or reinvestment or Capital Increase will be used to acquire any security in any transaction which is subject to Sections 13 and 14 of the Securities Exchange Act of 1934.

(h) Immediately prior to the time of the initial Purchase, the Seller is the legal and beneficial owner of the Pool Receivables and Related Security with respect thereto, in each case free and clear of any Adverse Claim. Upon each Purchase or reinvestment, the Seller shall Transfer to the Agent on behalf of the Owners (and the Agent on behalf of the Owners shall acquire) a valid 100% ownership interest 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, which ownership interest shall be a perfected first priority ownership interest upon the filing of the financing statements referred to in Section 3.01(b) (ix). No effective financing statement or other instrument similarly in effect covering any Contract or any Pool Receivable or Related Security or Collections with respect thereto is on file in any recording office, except those filed in favor of the Agent relating to this Agreement or in favor of the Seller and the Agent relating to the Canadian Receivables Sale Agreement.

(i) Each Seller Report, Receivables Report (if prepared by the Seller or one of its Affiliates, or to the extent that information contained therein is supplied by the Seller or any Affiliate thereof), information, exhibit, financial statement, or other report or document furnished or to be furnished at any time by or on behalf of the Seller to the Agent or any Owner in connection with this Agreement is and will be accurate in all material respects as of its date or as of the date so furnished, and no such report or document contains, or will contain, as of its date of delivery or the date so furnished, any untrue statement of a material fact or omits to state, or will omit to state, as of its date of delivery or the date so furnished, a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(j) The jurisdiction of incorporation, organizational identification number (if any), and the address(es) of the principal place of business and chief executive office of the Seller and the office where the Seller keeps its Records concerning the Receivables, are as set forth in Schedule III hereto (or, by notice to the Agent in accordance with Section 5.01(c), at such other locations in jurisdictions, within Canada, where all actions required by Section 6.05(a) have been taken and completed).

(k) The names and addresses of all the Lock-Box Banks, together with the lock-box numbers related to, and the account numbers and owners (the Seller or the Canadian Originator) of, the Lock-Box Accounts at such Lock-Box Banks, are specified in Schedule I hereto (or such other Lock-Box Banks and/or such other Lock-Box Accounts as have been notified to the Agent in accordance with Section 5.03(d)).

(l) Since the date of its formation, the Seller has not engaged in any activity other than as contemplated by the Transaction Documents or entered into any commitment or incurred any Debt other than pursuant to, or as permitted under the Transaction Documents.

(m) The Seller has not maintained, contributed to or incurred or assumed any obligation with respect to any Plan, Multiemployer Plan or Welfare Plan.

(n) The Seller has not sold, assigned, transferred, pledged or hypothecated any interest in any Pool Receivable or the Collections with respect thereto to any Person other than as contemplated by this Agreement or that has been released by the Agent from the Receivables Pool.

(o) The Seller has complied with the Credit and Collection Policy in all material respects and since the date of this Agreement there has been no change in the Credit and Collection Policy except as permitted hereunder.

(p) The Seller has not extended or modified the terms of any Pool Receivable or the Contract under which any such Pool Receivable arose, except in accordance with the Credit and Collection Policy.

(q) Except under the Lock-Box Agreements, the Seller has not granted any Person dominion or control of any Lock-Box Account, or the right to take dominion or control over any Lock-Box Account at a future time or upon the occurrence of a future event.

(r) With respect to each Transfer to it of any Pool Receivables, the Seller has either (i) purchased such Pool Receivables from the Canadian Originator in exchange for payment (made by the Seller to the Canadian Originator in accordance with the provisions of the Canadian Receivables Sale Agreement) in an amount which constitutes fair consideration and approximates fair market value for such Pool Receivables and in a sale the terms and conditions of which (including, without limitation, the purchase price thereof) reasonably approximate an arm's-length transaction between unaffiliated parties or (ii) acquired such Pool Receivables from the Canadian Originator as a capital contribution in accordance with the provisions of the Canadian Receivables Sale Agreement. No such sale, and no such contribution, has been made for or on account of an antecedent debt owed by the Canadian Originator to the Seller and no such sale or contribution is or may be voidable or subject to avoidance under any section of the U.S. Bankruptcy Code or any Canadian Insolvency Statute (as defined in the Canadian Receivables Sale Agreement).

(s) The Seller has filed, or caused to be filed or be included in, all tax reports and returns (federal, state, provincial, local and foreign), if any, required to be filed by it and paid, or caused to be paid, all amounts of taxes, including interest and penalties, required to be paid by it, except for such taxes

(i) as are being contested in good faith by proper proceedings and (ii) against which adequate reserves shall have been established in accordance with and to the extent required by GAAP, but only so long as the proceedings referred to in clause (i) above would not subject the Agent or any other Indemnified Party to any civil or criminal penalty or liability or involve any material risk of the loss, sale or forfeiture of any property, rights or interests covered hereunder or under the Canadian Receivables Sale Agreement.

(t) The Seller is not an “*investment company*” or an “*affiliated person*” of, or “*promoter*” or “*principal underwriter*” for, an “*investment company*”, as such terms are defined in the Investment Company Act of 1940, as amended.

(u) Both before and after giving effect to (i) each Purchase to be made on the Effective Date or such other date as Purchases requested hereunder are made, (ii) the disbursement of the proceeds of any Capital Investment, (iii) the consummation of each other transaction contemplated by the other Transaction Documents and (iv) the payment and accrual of all transaction costs in connection with the foregoing, the Seller is Solvent, and also satisfies the other tests set out in Section 3.01(v) of the Canadian Receivables Sale Agreement.

#### **Section 4.02. Representations and Warranties of the Servicer.**

The Servicer represents and warrants as follows:

(a) The Servicer is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction indicated at the beginning of this Agreement, 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 to the extent that any failure to be so qualified or in good standing as a foreign entity could not reasonably be expected to have a Material Adverse Effect.

(b) The execution, delivery and performance by the Servicer of the Transaction Documents to which it is a party and the other documents to be delivered by it hereunder, and the transactions contemplated hereby and thereby, are within the Servicer’s corporate powers, have been duly authorized by all necessary corporate action, do not (i) contravene the Servicer’s charter or code of regulations, (ii) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, or (iii) breach or result in a default under, or result in the acceleration of (or entitle any party to accelerate) the maturity of any obligation of the Servicer under, or result in or require the creation of any lien upon or security interest in any property of the Servicer pursuant to the terms of, any Contract or any other agreement or instrument (other than any Transaction Document) binding on or affecting the Servicer or any of its properties.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Servicer of any Transaction Document to which it is a party.

(d) This Agreement has been, and each other Transaction Document to which the Servicer is a party when delivered will have been, duly executed and delivered by the Servicer. This Agreement is, and the other Transaction Documents to which the Servicer is party when delivered hereunder will be, the legal, valid and binding obligations of the Servicer enforceable against the Servicer in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and to general equitable principles.



(e) Since December 31, 2006, there has been no Material Adverse Change and there have been no events or developments that, in the aggregate, have had a Material Adverse Effect.

(f) There is no action, suit, investigation, litigation or proceeding pending or, to the knowledge of the Servicer, threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to result in a Material Adverse Change or (ii) restrains, prevents or imposes or can reasonably be expected to impose materially adverse conditions upon the Transaction Documents or the transactions contemplated thereby.

(g) Each Seller Report and Receivables Report (if prepared by the Servicer or one of its Affiliates, or to the extent that information contained therein is supplied by the Servicer or any Affiliate thereof), information, exhibit, financial statement, or other report or document furnished or to be furnished at any time by or on behalf of the Servicer to the Agent or any Owner in connection with this Agreement is and will be accurate in all material respects as of its date or as of the date so furnished, and no such report or document contains, or will contain, as of its date of delivery or the date so furnished, any untrue statement of a material fact or omits to state, or will omit to state, as of its date of delivery or the date so furnished, a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(h) Since December 31, 2006, the Servicer has complied with the Credit and Collection Policy in all material respects and since the date of this Agreement there has been no change in the Credit and Collection Policy except as permitted hereunder.

(i) The Servicer has not extended or modified the terms of any Pool Receivable or the Contract under which any such Pool Receivable arose, except in accordance with the Credit and Collection Policy or in accordance with Section 6.02(b).

## ARTICLE V

### GENERAL COVENANTS OF THE SELLER AND THE SERVICER

#### Section 5.01. Affirmative Covenants of the Seller.

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement, the Seller will:

(a) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders with respect to it and all Pool Receivables and related Contracts, Related Security and Collections with respect thereto.

(b) Preservation of Corporate Existence. Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such qualification would materially adversely affect the interests of the Owners or the Agent hereunder or in the Pool Receivables and Related Security, or the ability of the Seller or the Servicer to perform their respective obligations hereunder or the ability of the Seller to perform its obligations under the Contracts.

(c) Offices, Records and Books of Accounts. (i) Keep its principal place of business and chief executive office and the offices where it keeps its Records concerning the Pool Receivables at the address of the Seller referred to in Section 4.01(j) or, upon at least 30 days' prior written notice to the

Agent, at any other location in a jurisdiction where all actions required by Section 6.05(a) shall have been taken, and (ii) 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 Pool Receivable, the Outstanding Balance of each Pool Receivable and the dates which payments are due thereon and all Collections of and adjustments to each existing Pool Receivable).

(d) Performance and Compliance with Contracts and Credit and Collection Policy. At its expense, timely and fully (i) perform, or cause to be performed, and comply in all material respects with, or cause to be complied with in all material respects, all provisions, covenants and other promises required to be observed by it under the Contracts related to the Pool Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy in regard to the Pool Receivables and the related Contracts and (ii) as beneficiary of any Related Security, enforce such Related Security as reasonably requested by the Agent.

(e) Examination of Records; Audits.

(i) From time to time upon 2 Business Days' prior notice (except that during the continuance of an Event of Termination, no such notice shall be required) and during regular business hours as requested by the Agent and at the expense of the Seller, permit the Agent, or its agents or representatives, (A) to examine and make copies of and abstracts from all Records in the possession or under the control of the Seller, or the agents of the Seller, relating to Pool Receivables and the Related Security, including, without limitation, the related Contracts, and (B) to visit the offices and properties of the Seller, or the agents of the Seller, for the purpose of examining such materials described in clause (A) above, and to discuss matters relating to Pool Receivables and the Related Security or the Seller's performance hereunder or under the Contracts with any of the officers or employees of the Seller having knowledge of such matters.

(ii) At any time and from time to time, upon the Agent's request (at its own election or upon the request of the Required Purchasers) and at the expense of the Seller, the Seller shall cause independent public or chartered accountants or others satisfactory to the Agent to furnish to the Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Receivables and/or a written report of an audit conducted by such accountants with respect to the Pool Receivables, Credit and Collection Policy, Lock-Box Account activity and the Seller's performance of its obligations under this Agreement and the Canadian Receivables Sale Agreement on a scope and in a form reasonably requested by the Agent for such audit; provided, however, that unless a Event of Termination or Potential Event of Termination shall be continuing, the Agent shall request no more than one such report during any calendar year.

(iii) The Seller shall conduct, or shall cause to be conducted, at its expense and upon request of the Agent (at its own election or upon the request of the Required Purchasers), and present to the Agent for approval, such appraisals, investigations and reviews as the Agent shall request for the purpose of determining the Net Receivables Pool Balance, all upon notice and at such times during normal business hours and as often as may be reasonably requested. The Seller shall furnish to the Agent any information that the Agent may reasonably request regarding the determination and calculation of the Net Receivables Pool Balance including correct and complete copies of any invoices, underlying agreements, instruments or other documents and the identity of all Obligor in respect of Receivables referred to therein.

(f) Keeping of Records and Books of Account. (i) Keep, or cause to be kept, proper books of record and account, which shall be maintained or caused to be maintained by the Seller and shall be separate and apart from those of any Affiliate of the Seller, in which full and correct entries shall be made of all financial transactions and the assets and business of the Seller in accordance with GAAP, (ii) to the extent Records are in written form, segregate such Records in file cabinets or storage containers and appropriately label such file cabinets or storage containers to reflect that the Purchased Property has been conveyed to the Agent on behalf of the Owners, and (iii) to the extent such Records constitute computer programs and other non-written Records, appropriately legend such Records to reflect that the Purchased Property has been conveyed to the Agent on behalf of the Owners.

(g) Deposits to Lock-Box Accounts. Not later than 60 days following the date hereof (or such later date to which the Agent shall consent in writing), instruct, or cause the Servicer to instruct, all Obligor to make payments in respect of Pool Receivables to a Lock-Box Account and, if the Seller or the Canadian Originator shall otherwise receive any Collections (including, without limitation, any Collections deemed to have been received by the Seller pursuant to Section 2.09), segregate and hold in trust such Collections and, if received after such 60<sup>th</sup> or later day, deposit such Collections, or cause such Collections to be deposited, to a Lock-Box Account within 2 Business Days following such receipt and if received prior thereto but at the time of or after the first Purchase hereunder, pay such Collections to the Agent within two (2) Business Days following such receipt.

(h) Maintenance of Separate Existence. Do all things necessary to maintain its corporate existence separate and apart from the Canadian Originator and other Affiliates of the Seller, including, without limitation, (i) maintaining proper corporate records and books of account separate from those of such Affiliates; (ii) maintaining its assets, funds and transactions separate from those of such Affiliates, reflecting such assets, funds and transactions in financial statements separate and distinct from those of such Affiliates, and evidencing such assets, funds and transactions by appropriate entries in the records and books referred to in clause (i) above, and providing for its own operating expenses and liabilities from its own assets and funds other than certain expenses and liabilities relating to basic corporate overhead which may be allocated between the Seller and such Affiliates; (iii) holding such appropriate meetings or obtaining such appropriate consents of its Board of Directors as are necessary to authorize all the Seller's corporate actions required by law to be authorized by its Board of Directors, keeping minutes of such meetings and of meetings of its stockholders and observing all other customary corporate formalities (and any successor Seller not a corporation shall observe similar procedures in accordance with its governing documents and applicable law); (iv) at all times entering into its contracts and otherwise holding itself out to the public under the Seller's own name as a legal entity separate and distinct from such Affiliates; and (v) conducting all transactions and dealings between the Seller and such Affiliates on an arm's-length basis.

(i) Compliance with Opinion Assumptions and Charter and By-Laws. Without limiting the generality of subsection (h) above, maintain in place all policies and procedures, and take and continue to take all actions, described in the assumptions as to facts set forth in, and forming the basis of, the opinions set forth in the opinion delivered to the Agent pursuant to subclause (xii)(C) of Section 3.01(b), and comply with, and cause compliance with, the provisions of the articles and by-laws of the Seller delivered to the Agent pursuant to Section 3.01 as the same may, from time to time, be amended, supplemented or otherwise modified with the prior written consent of the Agent.

(j) Purchase of Pool Receivables from Canadian Originator. With respect to each Pool Receivable acquired from the Canadian Originator by the Seller, pay to the Canadian Originator (in accordance with the Canadian Receivables Sale Agreement) an amount which constitutes fair consideration and approximates fair market value for such Pool Receivable and in a sale the terms and

conditions of which (including, without limitation, the purchase price thereof) reasonably approximates an arm's-length transaction between unaffiliated parties.

(k) **Nature of Business and Permitted Transactions.** Engage solely in the businesses and transactions authorized by its articles.

(l) **Transaction Documents.** At its expense, timely and fully perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under each of the Transaction Documents, maintain each of the Transaction Documents in full force and effect, enforce in accordance with its terms, take all such action to such end as may be from time to time reasonably requested by the Agent, and make to any party to each of the Transaction Documents such demands and requests for information and reports or for action as the Seller is entitled to make thereunder and as may be from time to time reasonably requested by the Agent.

#### **Section 5.02. Reporting Requirements of the Seller.**

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Owner shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement, the Seller will furnish to the Agent for distribution to the Purchasers:

(a) **Monthly Reports.** Within 35 days after the end of each of the first 11 fiscal months in each Fiscal Year, financial information regarding the Seller consisting of unaudited balance sheets as of the close of such month and the related statements of income and cash flow for such month and that portion of the current Fiscal Year ending as of the close of such month, in each case certified by a chief financial officer or treasurer of the Seller as fairly presenting the financial position of the Seller as at the dates indicated and the results of its operations and cash flow for the periods indicated and recorded in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments) and in form reasonable acceptable to the Agent and the Required Purchasers.

(b) **Annual Reports.** Within 95 days after the end of each Fiscal Year, financial information regarding the Seller consisting of balance sheets of the Seller as of the end of such year and related statements of income and cash flows of the Seller for such Fiscal Year, all prepared in conformity with GAAP.

(c) **Notice of Event of Termination.** As soon as possible and in any event within 2 Business Days after a Responsible Officer of the Seller first becomes aware of each Event of Termination or Potential Event of Termination continuing on the date of such statement, a statement of a Responsible Officer of the Seller setting forth details of such Event of Termination or Potential Event of Termination and the action which the Seller has taken and proposes to take with respect thereto.

(d) **Other.** Upon demand, such other information, documents, records or reports respecting the Receivables, the Related Security, the Contracts or the condition or operations, financial or otherwise, of the Seller as the Agent may from time to time reasonably request.

#### **Section 5.03. Negative Covenants of the Seller.**

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Owner shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement, the Seller will not:

(a) Sales, Adverse Claims, Etc.

Except as otherwise provided herein, 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 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 any Deposit Account to which any Collections of any Pool Receivable are sent (including, without limitation, any Lock-Box Account), or assign any right to receive income in respect thereof.

(b) Extension or Amendment of Receivables.

Except as otherwise permitted in Section 6.02, extend, amend or otherwise modify the terms of any Pool Receivable, or amend, modify or waive any term or condition of any Contract related thereto.

(c) Change in Business or Credit and Collection Policy.

Make any change in the character of its business or in the Credit and Collection Policy that would, in either case, be reasonably likely to impair the collectibility of the Pool Receivables.

(d) Change in Payment Instructions to Obligors.

Add or terminate any bank as a Lock-Box Bank or any Deposit Account as a Lock-Box Account from those listed in Schedule I, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box Account, unless the Agent shall have received at least 20 days' prior written notice of such addition, termination or change and shall have received, with respect to each new Lock-Box Account, a Lock-Box Agreement executed by the Lock-Box Bank that maintains such Lock-Box Account and the Seller or the Canadian Originator, as applicable.

(e) Deposits to Lock-Box Accounts.

Deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than Collections of Pool Receivables.

(f) Change of Name, Etc.

Change its name, identity, form of legal structure, chief executive office or jurisdiction of organization, unless, prior to the effective date of any such change, the Seller delivers to the Agent (i) PPSA and other applicable financing statements necessary to reflect such change and to continue the perfection of the ownership interests in the Purchased Property contemplated by this Agreement and (ii) if the identity or structure of the Seller has changed and such change adversely affects the rights of the Agent under then existing Lock-Box Agreements with the Seller to take control of the Lock-Box Accounts pursuant to Section 6.03(a), new Lock-Box Agreements executed by the Seller and the Lock-Box Banks, to the extent necessary to reflect such changes and to continue to enable the Agent to exercise such rights.

(g) Debt.

Except as otherwise provided herein or in the Canadian Receivables Sale Agreement, create, incur, assume or suffer to exist any indebtedness, other than (i) indebtedness of the Seller representing fees, expenses and indemnities arising hereunder or under the Canadian Receivables Sale Agreement for

the purchase price of the Receivables under the Canadian Receivables Sale Agreement, and (ii) other indebtedness of the Seller incurred in the ordinary course of its business in an amount not to exceed \$9,500 at any time outstanding.

(h) Lease Obligations.

Create, incur, assume or suffer to exist any obligations as lessee for the rental or lease of real or personal property, other than for the lease or rental of an office space or office equipment for use by the Seller in the ordinary course of its business.

(i) ERISA.

Adopt, maintain, contribute to or incur or assume any obligation with respect to any Plan, Multiemployer Plan or Welfare Plan.

(j) Investments in Other Persons.

Except as otherwise provided herein or in the Canadian Receivables Sale Agreement, make or hold any Investment in any Person.

(k) Sales, Etc., of Assets.

Except as contemplated or otherwise permitted by this Agreement, sell, lease, transfer or otherwise dispose of any assets.

(l) Merger, Etc.

Consolidate or amalgamate with or merge into any other Person.

(m) Organizational Documents.

Amend, supplement or otherwise modify its articles or by-laws, in each case furnished to the Agent pursuant to clause (v) Section 3.01(b).

(n) Accounting.

Account for (including for accounting and tax purposes) or otherwise treat the transactions contemplated by the Canadian Receivables Sale Agreement in any manner other than as sales of Receivables by the Canadian Originator to the Seller, or account for (including for tax purposes) or otherwise treat the transactions contemplated by this Agreement in any manner other than as sales of the Purchased Property by the Seller to the Agent for the account of the Purchasers, or otherwise change its (i) accounting treatment and reporting practices or tax reporting treatment, except as required by GAAP or any Requirement of Law and disclosed to the Purchasers and the Agent or (ii) fiscal year.

(o) Canadian Receivables Sale Agreement.

(i) Cancel or terminate the Canadian Receivables Sale Agreement or consent to or accept any cancellation or termination thereof, (ii) amend, supplement or otherwise modify any term or condition of the Canadian Receivables Sale Agreement or give any consent, waiver or approval thereunder, (iii) waive any default under or breach of the Canadian Receivables Sale

Agreement or (iv) take any other action under the Canadian Receivables Sale Agreement not required by the terms thereof that would impair the value of any Receivable Assets (as defined therein) or the rights or interests of the Seller thereunder or of the Agent or any Owner or Indemnified Party hereunder or thereunder.

(p) Adverse Claims on the Capital Stock of the Seller. Create or suffer to exist, any Adverse Claim upon or with respect to any of the Stock of the Seller.

**Section 5.04. Affirmative Covenants of the Servicer.**

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Owner shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement, the Servicer will:

(a) Compliance with Laws, Etc.

Comply in all material respects with all applicable laws, rules, regulations and orders with respect to it and all Pool Receivables and related Contracts, Related Security and Collections with respect thereto.

(b) Preservation of Corporate Existence.

Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such qualification would materially adversely affect the interests of the Owners or the Agent hereunder or in the Pool Receivables and Related Security, or the ability of the Servicer to perform its obligations hereunder.

(c) Books of Accounts.

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 Pool Receivable, the Outstanding Balance of each Pool Receivable and the dates which payments are due thereon and all Collections of and adjustments to each existing Pool Receivable).

(d) Performance and Compliance with Contracts and Credit and Collection Policy.

At its expense, timely and fully (i) perform, or cause to be performed, and comply in all material respects with, or cause to be complied with in all material respects, all provisions, covenants and other promises required to be observed by it under the Contracts related to the Pool Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy in regard to the Pool Receivables and the related Contracts and (ii) as beneficiary of any Related Security, enforce and cause the Canadian Originator to enforce such Related Security as reasonably requested by the Agent.

(e) Examination of Records; Audits.

(i) From time to time upon 2 Business Days' prior notice (except that during the continuance of an Event of Termination, no such notice shall be required) and during regular

business hours as requested by the Agent and at the expense of the Servicer, permit the Agent, or its agents or representatives, (A) to examine and make copies of and abstracts from all Records in the possession or under the control of the Canadian Originator, the Servicer, their respective Affiliates (other than the Seller) or the agents of the Canadian Originator, the Servicer or their respective Affiliates, relating to Pool Receivables and the Related Security, including, without limitation, the related Contracts, and (B) to visit the offices and properties of the Canadian Originator, the Servicer, their respective Affiliates (other than the Seller) or the agents of the Canadian Originator, the Servicer, or their respective Affiliates, for the purpose of examining such materials described in clause (A) above, and to discuss matters relating to Pool Receivables and the Related Security or the Servicer's performance hereunder or under the Contracts with any of the officers or employees of the Servicer having knowledge of such matters.

(ii) The Agent may (at its own election or at the request of the Required Purchasers), at the Servicer's sole cost and expense, make test verifications of the Receivables in any manner and through any medium that the Agent considers advisable, and the Servicer shall furnish all such assistance and information as the Agent may require in connection therewith.

(iii) At any time and from time to time, upon the Agent's request (at its own election or at the request of the Required Purchasers) and at the expense of the Servicer, the Servicer shall cause independent public chartered accountants or others satisfactory to the Agent to furnish to the Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Receivables and/or a written report of an audit conducted by such accountants with respect to the Pool Receivables, Credit and Collection Policy, Lock-Box Account activity and the Servicer's performance of its obligations under this Agreement and the Canadian Receivables Sale Agreement on a scope and in a form reasonably requested by the Agent for such audit; provided, however, that unless a Event of Termination or Potential Event of Termination shall be continuing, the Agent shall request no more than 4 such reports during any calendar year.

(iv) The Servicer shall conduct, or shall cause to be conducted, at its expense and upon request of the Agent (at its own election or at the request of the Required Purchasers), and present to the Agent for approval, such appraisals, investigations and reviews as the Agent shall request for the purpose of determining the Net Receivables Pool Balance, all upon notice and at such times during normal business hours and as often as may be reasonably requested. The Servicer shall furnish to the Agent any information that the Agent may reasonably request regarding the determination and calculation of the Net Receivables Pool Balance including correct and complete copies of any invoices, underlying agreements, instruments or other documents and the identity of all Obligors in respect of Receivables referred to therein.

(f) Keeping of Records and Books of Account.

(i) Keep, or cause to be kept, 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 Servicer in accordance with GAAP, (ii) to the extent Records are in written form, segregate such Records in file cabinets or storage containers and appropriately label such file cabinets or storage containers to reflect that the Purchased Property has been conveyed to the Agent on behalf of the Owners, and (iii) to the extent such Records constitute computer programs and other non-written Records, appropriately legend such Records to reflect that the Purchased Property has been conveyed to the Agent on behalf of the Owners.



(g) Deposits to Lock-Box Accounts.

Not later than 60 days following the date hereof (or such later date to which the Agent shall consent in writing), instruct all Obligors to make payments in respect of Pool Receivables to a Lock-Box Account and, if the Servicer shall otherwise receive any Collections (including, without limitation, any Collections deemed to have been received by the Seller pursuant to Section 2.09), segregate and hold in trust such Collections and, if received after such 60<sup>th</sup> or later day, deposit such Collections, or cause such Collections to be deposited, to a Lock-Box Account within 2 Business Days following such receipt, and if received prior thereto but at the time of or after the first Purchase hereunder, pay such Collections to the Agent within two (2) Business Days following such receipt.

**Section 5.05. Reporting Requirements of the Servicer.**

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Owner shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement, the Servicer will furnish to the Agent for distribution to the Purchasers:

(a) Monthly Reports. Within 35 days after the end of each of the first two fiscal months in each fiscal quarter, financial information regarding PolyOne and its Subsidiaries consisting of Consolidated unaudited balance sheets as of the close of such month and the related statements of income and cash flow for such month and that portion of the current Fiscal Year ending as of the close of such month, setting forth in comparative form the figures contained in the Amended and Restated Projections or, if applicable, the latest business plan provided pursuant to clause (e) below for the current Fiscal Year, in each case certified by the chief financial officer, treasurer or other Responsible Officer acceptable to the Agent of PolyOne as fairly presenting the Consolidated financial position of PolyOne and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated and recorded in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments) and in form reasonably acceptable to the Agent and the Required Purchasers.

(b) Quarterly Reports. Within 50 days after the end of each of the first 3 fiscal quarters of each Fiscal Year, financial information regarding PolyOne and its Subsidiaries consisting of Consolidated unaudited balance sheets as of the close of such quarter and the related statements of income and cash flow for such quarter and that portion of the Fiscal Year ending as of the close of such quarter, setting forth in comparative form the figures contained in the Amended and Restated Projections or, if applicable, the latest business plan provided pursuant to clause (e) below for the current Fiscal Year in each case certified by the chief financial officer, treasurer or other Responsible Officer acceptable to the Agent of PolyOne as fairly presenting the Consolidated financial position of PolyOne and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments) and in form reasonably acceptable to the Agent and the Required Purchasers.

(c) Annual Reports. Within 95 days after the end of each Fiscal Year, financial information regarding PolyOne and its Subsidiaries consisting of Consolidated balance sheets of PolyOne and its Subsidiaries as of the end of such year and related statements of income and cash flows of PolyOne and its Subsidiaries for such Fiscal Year, all prepared in conformity with GAAP and certified, in the case of such Consolidated financial statements, without qualification, including, but not limited to, as to the scope of the audit or as to PolyOne being a going concern by PolyOne's independent public accountants, together with the report of such accounting firm stating that (i) such financial statements fairly present the Consolidated financial position of PolyOne and its Subsidiaries as at the dates indicated and the results of

their operations and cash flow for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except for changes with which PolyOne's independent public accountants shall concur and that shall have been disclosed in the notes to the financial statements) and (ii) the examination by PolyOne's independent public accountants in connection with such Consolidated Financial Statements has been made in accordance with generally accepted auditing standards, and accompanied by a certificate stating that in the course of the regular audit of the business of PolyOne and its Subsidiaries such accounting firm has obtained no knowledge that an Event of Termination or a Potential Event of Termination has occurred and is continuing, or, if in the opinion of such accounting firm, a Potential Event of Termination or Event of Termination has occurred and is continuing, a statement as to the nature thereof.

(d) Notice of Event of Termination. As soon as possible and in any event within 2 Business Days after a Responsible Officer of the Servicer, PolyOne or the Canadian Originator first becomes aware of each Event of Termination or Potential Event of Termination continuing on the date of such statement, a statement of the chief financial officer or treasurer of the Servicer setting forth details of such Event of Termination or Potential Event of Termination and the action which the Seller has taken and proposes to take with respect thereto.

(e) Business Plan. Not later than the earlier of (i) 15 days after PolyOne has received the approval of its board of directors therefor and (ii) 90 days after the commencement of each Fiscal Year: (A) the annual business plan of PolyOne and its Subsidiaries for such Fiscal Year approved by the Board of Directors of PolyOne, (B) forecasts prepared by management of PolyOne for each fiscal month in such Fiscal Year and (C) forecasts prepared by management of PolyOne for such Fiscal Year and each of the succeeding Fiscal Years through the Commitment Termination Date, including, in each instance described in clauses (B) and (C) above, (x) a projected year-end Consolidated balance sheet and income statement and statement of cash flows, (y) a statement of all of the material assumptions on which such forecasts are based and (z) containing the types of financial information contained in the Amended and Restated Projections.

(f) Public and Creditors' Reports. Promptly after the sending or filing thereof, copies of (a) all reports PolyOne sends to its security holders generally, (b) all reports and registration statements that PolyOne or any of its Subsidiaries files with the Securities and Exchange Commission or any national or foreign securities exchange or the National Association of Securities Dealers, Inc., (c) all press releases and all other statements concerning material changes or developments in the business of PolyOne made available by PolyOne or any of its domestic Subsidiaries to the public or any other creditor.

(g) Other. Upon demand, such other information, documents, records or reports respecting the Receivables, the Related Security, the Contracts or the condition or operations, financial or otherwise, of PolyOne as the Agent may from time to time reasonably request.

#### **Section 5.06. Negative Covenants of the Servicer.**

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment for any Owner shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement, the Servicer will not:

(a) Extension or Amendment of Receivables.

Except as otherwise permitted in Section 6.02, extend, amend or otherwise modify the terms of any Pool Receivable, or amend, modify or waive any term or condition of any Contract related thereto.

(b) Change in Business or Credit and Collection Policy.

Make any change in the character of its business or in the Credit and Collection Policy that would, in either case, be reasonably likely to impair the collectibility of the Pool Receivables.

(c) Change in Payment Instructions to Obligors.

Add or terminate any bank as a Lock-Box Bank or any Deposit Account as a Lock-Box Account from those listed in Schedule I, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box Account, unless the Agent shall have received at least 20 days' prior written notice of such addition, termination or change and shall have received, with respect to each new Lock-Box Account, a Lock-Box Agreement executed by the Lock-Box Bank that maintains such Lock-Box Account and the Seller or the Canadian Originator, as applicable.

(d) Deposits to Lock-Box Accounts.

Deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than Collections of Pool Receivables.

(e) Accounting. Change its (i) accounting treatment and reporting practices or tax reporting treatment, except as required by GAAP or any Requirement of Law and disclosed to the Purchasers and the Agent or (ii) fiscal year.

(f) Asset Sales. Sell, convey, transfer, lease or otherwise dispose of, any of its assets or any interest therein (including the sale or factoring at maturity or collection of any accounts), whether in a single transaction, or a series of related transactions, to any Person, or permit or suffer any other Person to acquire any interest in any of its assets except:

(i) sales pursuant to the Prior Sale Agreement (as defined in the U.S. RPA) or the Canadian Receivables Sale Agreement;

(ii) the sale or other disposition of inventory in the ordinary course of business;

(iii) [Intentionally Deleted]

(iv) the sale or other disposition of assets or any interest therein having a Fair Market Value that is less than (x) \$250,000 individually and (y) \$2,000,000 in the aggregate for all such dispositions; and

(v) dispositions of assets or interests therein not otherwise permitted above so long as (w) no Potential Event of Termination or Event of Termination is continuing or would result therefrom, (x) such sale or other transfer is for Fair Market Value, (y) if such asset or interest has a Fair Market Value of \$10,000,000 or more, or if when aggregated with all such assets or interest previously sold, conveyed, transferred, leased or disposed at any time after the Effective Date, \$25,000,000 or more, 50% of the proceeds of such sale or transfer (or such series of related sales or transfers) are payable in cash to the Servicer upon the consummation of each such sale or transfer, and (z) if the Fair Market Value of such asset is in excess of \$25,000,000, the Board of Directors of the Servicer has approved such sale.

(g) Adverse Claims on the Capital Stock of the Seller. Create or suffer to exist, any Adverse Claim upon or with respect to any of the Stock of the Seller.

**Section 5.07. Affirmative Financial Covenants of the Servicer.**

Until the later of the Termination Date and the date upon which no Capital Investment for any Owner shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement, the Servicer will, so long as the Servicer shall be PolyOne or an Affiliate thereof:

(a) Minimum Fixed Charge Coverage Ratio. Maintain as of the end of any fiscal quarter during which Total Excess Availability (calculated using the average Total Excess Availability for each day during such fiscal quarter) is less than \$40,000,000, a Fixed Charge Coverage Ratio of not less than 1:1.

(b) Minimum Excess Availability. Maintain on each day Receivables Excess Availability in an amount not less than \$10,000,000 and Total Excess Availability in an amount not less than \$15,000,000.

**Section 5.08. Negative Financial Covenants of the Servicer.**

Until the later of the Termination Date and the date upon which no Capital Investment for any Owner shall be existing, and no Yield, fees or other amounts shall remain unpaid under this Agreement, the Servicer (so long as the Servicer shall be PolyOne or an Affiliate thereof) will not:

(a) Capital Expenditures. Make or incur, or permit its Subsidiaries to make or incur, Capital Expenditures during each their respective Fiscal Years in an aggregate amount in excess of \$90,000,000.

(b) Restricted Payments. (A) Directly or indirectly, declare, order, pay, make or set apart any sum for any Restricted Payment unless, (i) such Restricted Payment, together with all Restricted Payments made in the then current Fiscal Year, does not exceed \$20,000,000 and Total Excess Availability (calculated on a pro forma basis and using the average Total Excess Availability for each day during the preceding calendar month) is at least \$50,000,000; or (ii) Total Excess Availability (calculated on a pro forma basis and using the average Total Excess Availability for each day during the preceding calendar month) is at least \$75,000,000 and the Fixed Charge Coverage Ratio for PolyOne and its Consolidated Subsidiaries for the then most recently ended four fiscal quarter period is at least 1.5 to 1.00; or (iii) Total Excess Availability (calculated on a pro forma basis and using the average Total Excess Availability for each day during the preceding calendar month) is at least \$100,000,000 and the Fixed Charge Coverage Ratio for PolyOne and its Consolidated Subsidiaries for the then most recently ended four fiscal quarter period is at least 1.0 to 1.0. (B) The Servicer may apply up to 70% of the net cash proceeds received by the Servicer from the sale of any assets in accordance with the requirements of Section 5.06(f) (as certified to the Agent by a Responsible Officer of the Servicer), to the extent not used to prepay or redeem the 10<sup>5</sup>/<sub>8</sub>% Senior Notes pursuant to Section 5.08(c)(v), to make Restricted Payments; *provided, that*, both before and after giving effect to any such Restricted Payment, (x) each of the representations and warranties contained in *Article IV (Representations and Warranties)* of this Agreement or the other Transaction Documents (or the comparable provisions of the U.S. RPA) is true and correct in all material respects as if made on and as of such date and except to the extent that such representations and warranties specifically relate to a specific date, in which case such representations and warranties shall be true and correct in all material respects as of such specific date, (y) no Potential Event of Termination or Event of Termination shall have occurred and be continuing on and as of such date and (z) such Restricted Payments made under this Section 5.08(B) and asset sales under Section 5.06(f)

together with Restricted Payments and asset sales made under the corresponding provisions of the U.S. RPA do not exceed \$80,000,000 in the aggregate during the term of this Agreement.

(c) Prepayment of Debt. Prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, any Debt and will not permit any of its Subsidiaries to do any of the foregoing; provided, however, that the Servicer or any Subsidiary of the Servicer may (i) prepay any obligations hereunder in accordance with the terms of this Agreement, (ii) make regularly scheduled or otherwise required repayments or redemptions of Debt, (iii) prepay any Debt payable to the Servicer by any of its Subsidiaries, (iv) renew, extend, refinance and refund Debt on terms no less favorable to the Servicer or its Subsidiary obligated thereunder, including as to weighted average maturity and final maturity, than the Debt being renewed, extended, refinanced or refunded, (v) to the extent that the Servicer sells or otherwise disposes of any assets in accordance with the requirements of Section 5.06(f) (as certified to the Agent by a Responsible Officer of the Servicer), the Servicer may apply up to 70% of the net cash proceeds received by the Servicer in connection with any such sale or other disposition (as such amount shall be certified to the Agent by a Responsible Officer of the Servicer) to prepay, redeem or otherwise purchase, at the election of the Servicer, any 10<sup>5</sup>/<sub>8</sub>% Senior Notes outstanding; *provided, that*, both before and after giving effect to any such prepayment, redemption or purchase, (x) each of the representations and warranties contained in *Article IV (Representations and Warranties)* of this Agreement or the other Transaction Documents is true and correct in all material respects as if made on and as of such date and except to the extent that such representations and warranties specifically relate to a specific date, in which case such representations and warranties shall be true and correct in all material respects as of such specific date and (y) no Potential Event of Termination or Event of Termination shall have occurred and be continuing on and as of such date, and (vi) prepay any other obligations on any Debt provided, that before and after giving effect to such prepayment (a) Total Excess Availability (calculated on a pro forma basis using the average Total Excess Availability for each day during the preceding calendar month) is not less than \$60,000,000, reduced by the amount of any Restricted Payments made during such month and (b) the Fixed Charge Coverage Ratio of the Servicer and its Subsidiaries for the then most recently ended four fiscal quarter period is not less than 1.0 to 1.0

## ARTICLE VI

### ADMINISTRATION AND COLLECTION

#### Section 6.01. Designation of Servicer.

The Pool Receivables shall be serviced, administered and collected by the Person (the “Servicer”) designated to do so from time to time in accordance with this Section 6.01. Until the Agent designates a new Servicer, PolyOne is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms hereof. The Agent may at any time designate as Servicer any Person (including itself) to succeed PolyOne or any successor Servicer, if such Person (other than itself) shall agree in writing to perform the duties and obligations of the Servicer pursuant to the terms hereof. Subject to Section 6.02(f), the Servicer may subcontract with the Canadian Originator as an independent contractor to service, administer or collect the Pool Receivables that the Canadian Originator creates, and may, with the prior consent of the Agent, subcontract with any other Person as an independent contractor to service, administer or collect the Pool Receivables, provided that the Canadian Originator or other Person with whom the Servicer so subcontracts shall not become the Servicer hereunder and the Servicer shall remain liable for the performance of the duties and obligations of the Servicer pursuant to the terms hereof.

## **Section 6.02. Duties of Servicer.**

(a) The Servicer shall take or cause to be taken all such commercially reasonable 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. Each of the Seller, the Purchasers and the Agent hereby appoints as its agent the Servicer, 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.

(b) The Servicer 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 2.07 and 2.08, 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 such Sections. If instructed by the Agent, the Servicer shall segregate and deposit with a bank (which may be Citicorp) 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 Servicer of such Collections. If no Event of Termination or Potential Event of Termination shall have occurred and be continuing, PolyOne, while it is the Servicer, may, in accordance with the Credit and Collection Policy, (i) extend the maturity or adjust the Outstanding Balance of any Receivable (that is not an Eligible Receivable) as PolyOne may determine to be appropriate to maximize Collections thereof, (ii) extend the term of any Contract and (iii) adjust any other terms and conditions of any Contract if, but only if (in the case of this clause (iii)), the Servicer gives at least 2 Business Days' prior written notice of such adjustments to the Agent and the Agent agrees in writing to such adjustments.

(c) The Servicer shall administer the Collections in accordance with the procedures described herein and in Section 2.09. The Servicer shall set aside and hold in trust for the account of the Seller in accordance with Section 6.02(b) above, (i) the Seller's allocable share of the Collections of Pool Receivables less all reasonable out-of-pocket costs and expenses of the Servicer (if not PolyOne or any Affiliate thereof) of servicing, administering and collecting the Pool Receivables to the extent not covered by the Servicer Fee received by it and (ii) the Collections of any Receivable which is not a Pool Receivable in accordance with Section 2.09. The Servicer shall, if not PolyOne, as soon as practicable following receipt, turn over to the Seller any cash collections or other cash proceeds received with respect to Receivables not constituting Pool Receivables.

(d) The Servicer shall hold in trust for the Seller and each Owner, in accordance with their respective interests, all Records that evidence or relate to the Pool Receivables. The Servicer shall, upon the occurrence and during the continuance of any Event of Termination, and at the request of the Agent, provide to the Agent the Records with respect to the Pool Receivables.

(e) The Servicer shall, from time to time at the request of the Agent, furnish to the Agent (promptly after any such request) a calculation of the amounts set aside for each Owner pursuant to Section 2.07 or 2.08.

(f) Notwithstanding anything to the contrary contained herein or in any other Transaction Document, the Servicer may not delegate to PolyOne Canada the right to, and PolyOne Canada shall not (and has no authority to) enter into contracts or other agreements in the name of the Seller, the Agent, any Owner or any Purchaser or otherwise act as agent therefor; and the Servicer (or any such delegatee) is not permitted to (and has no authority to) establish an office or other fixed place of business of the Seller, the Agent, any Owner or any Purchaser in Canada. To the extent any responsibilities of the Servicer or PolyOne Canada in respect of the Receivables and Related Security hereunder or under any other

Transaction Document involve or require the Servicer or PolyOne Canada to contract for, or conclude a contract in the name of, the Seller, the Agent, any Owner or any Purchaser, such servicing responsibility shall be fulfilled solely by the Servicer (and not by PolyOne Canada) and the Servicer is authorized to take such action, but only from a place of business in the United States. Nonetheless, PolyOne Canada may engage in discussions with any Obligor regarding such matters and negotiate the terms of any such arrangement subject to the understanding that final approval of any such arrangement referred to in the preceding portions of this Section 6.02(f) may only be made by the Servicer and any such arrangement so negotiated by PolyOne Canada shall not be binding until such final approval is so provided by the Servicer

**Section 6.03. Rights of the Agent.**

(a) The Seller and the Servicer each hereby Transfer 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 any further action that the Agent may reasonably request to effect such Transfer. Further, the Agent may notify at any time and at the Seller's expense the Obligors of Pool Receivables, or any of them, of the ownership of the Purchased Property by the Owners.

(b) At any time:

(i) The Agent may direct the Obligors of Pool Receivables, or any of them, to make payment of all amounts due or to become due to the Seller under any Pool Receivable directly to the Agent or its designee.

(ii) The Seller and the Servicer each shall, at the Agent's request and at the Seller's and the Servicer's expense, give notice of such ownership to such Obligors and direct them to make such payments directly to the Agent or its designee.

(iii) The Seller and the Servicer each shall, at the Agent's request, (A) assemble all of the Records which evidence or relate to the Pool Receivables, and the related Contracts and Related Security, or which are otherwise necessary or desirable to collect the Pool Receivables, and shall make the same available to the Agent at a place reasonably 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 or other proceeds of Pool Receivables in a manner reasonably 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) The Agent may take any and all commercially reasonable steps in the Seller's or the Servicer's name and on behalf of the Seller 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 the Servicer's name on checks and other instruments representing Collections or other proceeds of Pool Receivables, enforcing such Pool Receivables and the related Contracts, and adjusting, settling or compromising the amount or payment thereof, in the same manner and to the same extent as the Seller or PolyOne might have done.

**Section 6.04. Responsibilities of the Seller.**

Anything herein to the contrary notwithstanding:

(a) The Seller shall perform all of its obligations under the Contracts related to the Pool Receivables to the same extent as if the Purchased Property had not been sold hereunder and the exercise by the Agent of its rights hereunder shall not release the Seller from such obligations or its obligations with respect to Pool Receivables or under the related Contracts; 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 or the Canadian Originator thereunder.

**Section 6.05. Further Action Evidencing Purchases.**

(a) The Seller and the Servicer each agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary, or that the Agent may reasonably request, in order to perfect, protect or more fully evidence the ownership of the Purchased Property 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. Without limiting the generality of the foregoing, the Seller and the Servicer each will upon the request of the Agent, in order to perfect, protect or evidence such ownership of the Purchased Property: (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 as the Agent may reasonably request; (ii) mark conspicuously each invoice evidencing each Pool Receivable and the related Contract with a legend, acceptable to the Agent, evidencing that the Purchased Property has 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.

(b) The Seller hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relating to all or any of the Contracts, or Pool Receivables and the Related Security and Collections with respect thereto, 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.

(c) If the Servicer or the Seller fails to perform any agreement contained herein, then after notice to the Servicer or the Seller, as applicable, the Agent may itself perform, or cause performance of, such agreement, and the reasonable costs and expenses of the Agent incurred in connection therewith shall be payable by the Seller under Section 10.01 or Section 11.04, as applicable.

**ARTICLE VII**  
**EVENTS OF TERMINATION**

**Section 7.01. Events of Termination.**

If any of the following events ("Events of Termination") shall occur and be continuing:

(a) The Seller or the Servicer shall fail to make any payment or deposit to be made by it hereunder when due and such failure remains unremedied for 3 days; or



(b) Any representation or warranty made or deemed made by the Seller or the Canadian Originator or the Servicer (or any of their respective officers) under or in connection with this Agreement or any other Transaction Document or in any Seller Report, or Receivables Report or any other written report, certificate or information delivered by or on behalf of the Seller or the Canadian Originator or the Servicer (or any of their respective officers) pursuant hereto or thereto, shall prove to have been incorrect in any material respect when made or deemed made or delivered; or

(c) (i) The Seller or the Servicer shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e), 5.01(g), 5.02, 5.03, 5.04(e), 5.04(g), 5.05 or 5.06 of this Agreement, (ii) the Canadian Originator shall fail to perform or observe any term, covenant or agreement contained in Section 4.01(g), 4.01(i), 4.01(j)(iii) or 4.02 of the Canadian Receivables Sale Agreement; or (iii) the Seller, the Servicer, PolyOne (other than in its capacity as Servicer) or the Canadian Originator shall fail to perform or observe any other term, covenant or agreement contained in any Transaction Document on its part to be performed or observed and any such failure shall remain unremedied for 3 Business Days after the earlier of (A) the date on which a Responsible Officer of PolyOne becomes aware of such failure and (B) the date on which written notice thereof shall have been given to the Seller by the Agent or any Purchaser; or

(d) The Seller or PolyOne shall fail to pay any principal of, or premium or interest on, any of its Debt that is outstanding in a principal amount of at least \$9,500, in the case of the Seller, and \$15,000,000, in the case of PolyOne or the Canadian Originator, 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 (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

(e) Any Purchase or any reinvestment pursuant to Section 2.07 shall for any reason (other than pursuant to the terms hereof) cease to create, or the Owners shall otherwise cease to hold, for any reason, a valid and perfected first priority ownership interest in the Purchased Property, including each applicable Pool Receivable and the Related Security and Collections with respect thereto; or

(f) The Seller, the Servicer or the Canadian Originator 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, the Servicer or the Canadian Originator 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, arrangement 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) that is being diligently contested by it in good faith, 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 Seller, the Servicer or the Canadian Originator shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

- (g) The Net Receivables Pool Balance shall be less than the Required Net Receivables Pool Balance for a period of 2 consecutive Business Days or more; or
- (h) Since December 31, 2006, there shall have been any Material Adverse Change (other than to the extent expressly set forth on Schedule V hereto or disclosed in any public filing prior to the date hereof with the Securities and Exchange Commission); or
- (i) Any provision of any Transaction Document shall for any reason cease to be a legal, valid and binding obligation of the Seller, the Servicer or the Canadian Originator, as applicable, or the Seller, the Servicer or the Canadian Originator, as applicable, shall so state in writing; or
- (j) A Change of Control shall occur;
- (k) The articles or by-laws of the Seller shall be amended, supplemented or otherwise modified without consent of the Agent;
- (l) On the date which is 60 days prior to the final maturity date of the 10<sup>5</sup>/<sub>8</sub>% Senior Notes, the outstanding principal amount of the 10<sup>5</sup>/<sub>8</sub>% Senior Notes is \$40,000,000 or more;
- (m) Any Events of Termination (as defined in the U.S. RPA), shall occur and be continuing;
- (n) After the date hereof, any Purchaser, Owner or the Agent shall determine, acting reasonably, that it has or is deemed to have a permanent establishment within Canada solely or primarily as a result of the transactions contemplated hereby or any act or failure to act of the Seller, the Servicer or PolyOne Canada, then, and in any such event, the Agent shall, at the request, or may with the consent, of the Required Purchasers, by notice to the Seller and the Servicer declare the Termination Date to have occurred, whereupon the Termination Date shall forthwith occur; provided, that, automatically upon the occurrence of any event (without any requirement for the passage of time or the giving of notice, or both) described in subsection (f) of this Section 7.01, the Termination Date shall occur, and the Agent may replace the Servicer pursuant to Section 6.01. Upon any such occurrence of the Termination Date, the Agent and each Owner shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under any and all applicable laws, which rights shall be cumulative.

## ARTICLE VIII

### THE AGENT

#### Section 8.01. Authorization and Action.

Each Purchaser 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 and the other Transaction Documents and the other instruments and documents delivered pursuant hereto as are delegated to the Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto. The Agent agrees to give to each Purchaser copies of each notice (including, without limitation, each report and financial statement received hereunder or under any other Transaction Document) given to the Agent by the Seller, the Servicer or the Canadian Originator pursuant to the terms of this Agreement or any other Transaction Document. The Agent further agrees that the Required

Purchasers may compel the Agent to make any request that the Agent may but is not required to make hereunder.

**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 other Transaction Document or any other instrument or document delivered pursuant hereto (including, without limitation, the Agent's servicing, administering or collecting Pool Receivables as Servicer pursuant to Section 6.01), except for its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, except as otherwise agreed by the Agent and any Owner, the Agent: (i) may consult with legal counsel (including counsel for the Seller, the Servicer or the Canadian Originator), 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 (whether written or oral) made in or in connection with this Agreement or any other Transaction Document or any other instrument or document delivered pursuant hereto; (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 other Transaction Document or any other instrument or document delivered pursuant hereto on the part of the Seller or the Canadian Originator or to inspect the property (including the books and records) of the Seller or the Canadian Originator; (iv) shall not be responsible to any Owner for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Transaction Document or any other instrument or document furnished pursuant hereto, or the perfection, priority or value of any ownership interest or security interest created or purported to be created hereunder or under the Canadian Receivables Sale Agreement; and (v) shall incur no liability under or in respect of this Agreement or any other Transaction Document or any other instrument or document delivered pursuant hereto by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) reasonably 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 any Capital Investment owned by it, Citicorp shall have the same rights and powers under this Agreement as any other Purchaser and may exercise the same as though it were not the Agent. Citicorp and its Affiliates may generally engage in any kind of business with the Seller or the Canadian Originator or any Obligor, any of their respective Affiliates and any Person who may do business with or own securities of the Seller or the Canadian Originator or any Obligor or any of their respective Affiliates, all as if Citicorp were not the Agent and without any duty to account therefor to the Purchasers.

**Section 8.04. Purchase Decisions.**

Each Purchaser acknowledges that it has, independently and without reliance upon the Agent or any of its Affiliates or any other Purchaser and based on such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement and to purchase an interest on the Purchased Property and make Capital Increases hereunder. Each Purchaser also acknowledges that it shall, independently and without reliance upon the Agent, any of its Affiliates or any other Purchaser 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.

#### **Section 8.05. Indemnification.**

The Purchasers agree to indemnify the Agent (to the extent not promptly reimbursed by the Seller), ratably according to their respective Capital Investments at the relevant time (or, if no Capital Investments have been made at that time by them, ratably according to their respective 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 other Transaction Document or any other instrument or document furnished pursuant hereto or any action taken or omitted by the Agent under this Agreement or any other Transaction Document or any such instrument or document; provided that no Purchaser 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, the Purchasers agree to reimburse the Agent, ratably according to their respective Capital Investments at the relevant time (or, if no Capital Investments have been made at that time by them, ratably according to their respective Commitments), promptly upon demand for any costs and expenses (including, without limitation, reasonable fees and disbursements of counsel) payable by the Seller to the Agent under Section 11.04, to the extent that the Agent is not promptly reimbursed for such costs and expenses by the Seller.

#### **Section 8.06. Posting of Approved Electronic Communications.**

(a) Subject to Section 11.05 and certain limited exceptions in respect of which the Company has delivered prior written notice to the Agent, each of the Purchasers, the Servicer and the Seller agree, that the Agent may, but shall not be obligated to, make the Approved Electronic Communications available to the Purchasers by posting such Approved Electronic Communications on "e-Disclosure", the Agent's internet delivery system that is part of Fixed Income Direct, Global Fixed Income's primary web portal, or successor electronic platform chosen by the Agent to be its internet delivery system (the "Approved Electronic Platform").

(b) Although the primary web portal is secured with a dual firewall and a User ID/Password Authorization System and the Approved Electronic Platform is secured through a single-user-per-deal authorization method whereby each user may access the Approved Electronic Platform only on a deal-by-deal basis, each of the Purchasers, the Servicer and the Seller acknowledges and agrees, that the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution. In consideration for the convenience and other benefits afforded by such distribution and for the other consideration provided hereunder, the receipt and sufficiency of which is hereby acknowledged, each of the Purchasers, the Servicer and the Seller hereby approves, and the Servicer shall cause each other Originator to approve, distribution of the Approved Electronic Communications through the Approved Electronic Platform and understands and assumes the risks of such distribution.

(c) The Approved Electronic Communications and the Approved Electronic Platform are provided "as is" and "as available". None of the Agent or any of its Affiliates or any of their respective officers, directors, employees, agents, advisors or representatives (the "Agent Affiliates") warrant the accuracy, adequacy or completeness of the Approved Electronic Communications and the Approved Electronic Platform and each expressly disclaims liability for errors or omissions in the Approved Electronic Communications and the Approved Electronic Platform. No warranty of any kind, express, implied or statutory (including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects) is made by the Agent Affiliates in connection with the Approved Electronic Communications.

## ARTICLE IX

### ASSIGNMENT OF RECEIVABLE INTERESTS

#### Section 9.01. Purchaser's Assignment of Rights and Obligations.

(a) Each Purchaser may assign to any Eligible Assignee all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Capital Investments made by it and the related rights in the Purchased Property); provided, however, that (i) each such assignment shall be a constant, and not a varying, percentage of such Purchaser's rights and obligations under this Agreement and the Capital Investments made by it, (ii) in the case of any assignment by any Purchaser that is not assigning pursuant thereto all of its right and obligations under this Agreement, (A) the amount of the Commitment (determined as of the date of the applicable Assignment and Acceptance) being assigned pursuant to each such assignment shall be at least \$5,000,000, or (B) the aggregate amount of all Commitments (determined as of the date of the applicable Assignments and Acceptances) being assigned by such Purchaser on such date to two or more Eligible Assignees that are Affiliates of each other shall be at least \$5,000,000, (iii) each such assignment shall be to an Eligible Assignee, (iv) 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 a processing and recording fee of \$3,500 and (v) the consent of the Agent and the Seller (which consent shall not be unreasonably withheld or delayed and shall not be required at all following an Event of Termination) shall first have been obtained. Upon such execution, delivery and acceptance, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be the later of (x) the date the Agent receives the executed Assignment and Acceptance and (y) the date of such Assignment and Acceptance, (1) the Assignee thereunder shall be a party hereto and shall have all the rights and obligations of a Purchaser hereunder and (2) the assigning Purchaser shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such assignment and acceptance, relinquish its rights and be released from its obligations under this Agreement.

(b) By executing and delivering an Assignment and Acceptance, the assigning Purchaser 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, the assigning Purchaser 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 other Transaction Document or any other instrument or document furnished pursuant hereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Transaction Document or any other instrument or document furnished pursuant hereto, or the perfection, priority or value of any ownership interest or security interest created or purported to be created hereunder or under the Canadian Receivables Sale Agreement; (ii) the assigning Purchaser makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Seller or the Canadian Originator or the performance or observance by the Seller or the Canadian Originator of any of their respective obligations under this Agreement or any other Transaction Document or any other instrument or document furnished pursuant hereto; (iii) such Assignee confirms that it has received copies of this Agreement and the other Transaction Documents, together with such other documents and information as it has deemed appropriate to make its own analysis and decision to enter into such Assignment and Acceptance; (iv) such Assignee will, independently and without reliance upon the Agent, any of its Affiliates, the assigning Purchaser or any other Purchaser 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 and the other Transaction Documents and the other instruments and documents

furnished pursuant hereto; (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 and the other Transaction Documents and the other instruments and documents furnished pursuant hereto as are delegated to the Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; (vii) such Assignee appoints as its agent the Servicer from time to time designated pursuant to Section 6.01 to enforce its respective rights and interests in and under the Pool Receivables and the Related Security and Collections with respect thereto and the related Contracts; and (viii) such Assignee 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 Purchaser.

(c) The Agent shall maintain at its office referred to in Section 11.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register (the "Register") for the recordation of the names and addresses of the Purchasers and the Commitment of, and each Capital Investments made by, each Purchaser from time to time, which Register shall be available for inspection by the Seller at any reasonable time and from time to time upon reasonable prior notice. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Seller, the Servicer, the Purchasers and the Agent may treat each Person whose name is recorded in the Register as a Purchaser hereunder for all purposes of this Agreement. No Capital Investments, nor any Assignment and Acceptance, shall be effective unless it is entered in the Register in due course.

(d) Upon its receipt of an Assignment and Acceptance executed by any assigning Purchaser and an assignee representing that it is an Eligible Assignee, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit A hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register, and (iii) give prompt notice thereof to the Seller and the Servicer.

(e) Each Purchaser may sell participations to one or more Persons in or to all or a portion of its rights and obligations under the Transaction Documents (including all its rights and obligations with respect to Capital Investment). The terms of such participation shall not, in any event, require the participant's consent to any amendments, waivers or other modifications of any provision of any Transaction Documents, the consent to any departure by the Seller, the Servicer or the Canadian Originator therefrom, or to the exercising or refraining from exercising any powers or rights such Purchaser may have under or in respect of the Transaction Documents (including the right to enforce the obligations of the Seller, the Servicer or the Canadian Originator), except if any such amendment, waiver or other modification or consent would reduce the amount, or postpone any date fixed for, any amount (whether of Capital, Yield or fees) payable to such participant under the Transaction Documents, to which such participant would otherwise be entitled under such participation. In the event of the sale of any participation by any Purchaser, (w) such Purchaser's obligations under the Transaction Documents shall remain unchanged, (x) such Purchaser shall remain solely responsible to the other parties for the performance of such obligations, (y) such Purchaser shall remain the holder of such Capital for all purposes of this Agreement and (z) the Seller, the Agent and the other Purchasers shall continue to deal solely and directly with such Purchaser in connection with such Purchaser's rights and obligations under this Agreement. Each participant shall be entitled to the benefits of Sections 2.12(a), 2.13 and 2.14 as if it were a Purchaser; provided, however, that anything herein to the contrary notwithstanding, the Seller shall not, at any time, be obligated to make under Section 2.12(a), 2.13 or 2.14 to the participants in the rights and obligations of any Purchaser (together with such Purchaser) any payment in excess of the amount the Seller would have been obligated to pay to such Purchaser in respect of such interest had such participation not been sold.

**ARTICLE X**  
**INDEMNIFICATION**

**Section 10.01. Indemnities.**

Without limiting any other rights that any Indemnified Party may have hereunder or under applicable law, and whether or not any of the transactions contemplated hereby are consummated, the Seller hereby agrees to indemnify each Indemnified Party from and against, and hold each thereof harmless from, any and all claims, losses, liabilities, costs and expenses of any kind whatsoever (including, without limitation, reasonable legal fees and expenses on a full indemnity basis) (all of the foregoing being collectively referred to as "Indemnified Amounts") arising out of, or resulting from, in whole or in part, one or more of the following: (a) this Agreement or any other Transaction Document or any other agreement or document delivered or to be delivered in connection with this Agreement; (b) the use of proceeds of any Purchase or reinvestment or Capital Increase; (c) the interest of any Owner in any Receivable, any Contract or any Related Security; or (d) any transaction contemplated by this Agreement or any other Transaction Document or any other agreement or document delivered or to be delivered in connection with this Agreement; excluding, however, Indemnified Amounts to the extent resulting from either (x) the gross negligence or willful misconduct on the part of such Indemnified Party, or (y) the failure to collect amounts in respect of a Pool Receivable, to the extent such failure results from a discharge of the Obligor with respect thereto in a proceeding in respect of such Obligor under applicable bankruptcy laws or otherwise results from the Obligor's financial inability to pay such amounts. Without limiting or being limited by the foregoing and whether or not any of the transactions contemplated hereby are consummated, the Seller shall pay on demand to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts which relate to or result from, or which would not have occurred but for, one or more of the following:

- (i) any Receivable becoming a Pool Receivable which is not at the date of the initial creation of an interest therein hereunder an Eligible Receivable;
- (ii) any representation or warranty or statement made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement or any other Transaction Document or any Seller Report or Receivables Report or other document delivered or to be delivered in connection herewith or with any other Transaction Document being incorrect in any material respect when made or deemed made or delivered;
- (iii) the failure by the Seller to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract or any Related Security with respect thereto, including Privacy Laws (as defined in the Canadian Receivables Sale Agreement); or the failure of any Pool Receivable or the related Contract or any Related Security with respect thereto to conform to any such applicable law, rule or regulation;
- (iv) the failure to vest in the Agent on behalf of the Owners a first priority perfected ownership interest in each Receivable in, or purported to be in, the Receivables Pool and the Related Security and Collections in respect thereof, free and clear of any Adverse Claim; or the failure of the Seller to have obtained a first priority perfected ownership interest in the Pool Receivables and the Related Security and Collections with respect thereto Transferred or purported to be Transferred to the Seller under the Canadian Receivables Sale Agreement, free and clear of any Adverse Claim;

(v) the failure of the Seller to have filed, or any delay by the Seller in filing, financing statements or other similar instruments or documents under the PPSA or other applicable laws with respect to any Receivable in, or purported 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 unless such failure results directly and solely from the Agent's failure to take appropriate action;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of any Obligor to the payment of any Receivable in, or purported to be in, the Receivables Pool (including, without limitation, any defense based on the fact or allegation that such Receivable or the related Contract is not 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 goods or services related to such Receivable or the furnishing or failure to furnish such goods or services;

(vii) any failure of the Seller to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document or to perform its duties or obligations under any Contract;

(viii) any product liability, personal injury, copyright infringement, theft of services, property damage, or other breach of contract, antitrust, unfair trade practices or tortious claim arising out of or in connection with the subject matter of any Contract or out of or in connection with any transaction contemplated by this Agreement, any other Transaction Document or any other instrument or document furnished pursuant hereto or such Contract;

(ix) the commingling by the Seller of Collections of Pool Receivables at any time with other funds;

(x) any action or omission by the Seller, reducing or impairing the rights of any Owner under this Agreement, any other Transaction Document or any other instrument or document furnished pursuant hereto or thereto or with respect to any Pool Receivable;

(xi) any cancellation or modification of a Pool Receivable, the related Contract or any Related Security, whether by written agreement, verbal agreement, acquiescence or otherwise;

(xii) any investigation, litigation or proceeding related to or arising from this Agreement, any other Transaction Document or any other instrument or document furnished pursuant hereto or thereto, or any transaction contemplated by this Agreement or any Contract or the use of proceeds from any Purchase or reinvestment pursuant to this Agreement, or the ownership of, or other interest in, any Receivable, the related Contract or Related Security;

(xiii) the existence of any Adverse Claim against or with respect to any Pool Receivable, the related Contract or the Related Security or Collections with respect thereto;

(xiv) any failure by the Seller to pay when due any taxes, including without limitation sales, excise, GST, PST or other personal property taxes, payable by the Seller in connection with any Receivable or the related Contract or any Related Security with respect thereto;

(xv) any claim brought by any Person other than an Indemnified Party arising from any activity of the Seller in servicing, administering or collecting any Pool Receivable;



(xvi) any failure by any Lock-Box Bank to comply with the terms of the Lock-Box Agreement to which it is a party;

(xvii) any present or future Taxes, all interest and penalties thereon or with respect thereto, and all out-of-pocket costs and expenses, including the reasonable fees and expenses of counsel in defending against the same, which may arise by reason of the purchase or ownership of the Purchased Property, the financing of such purchase or ownership by the Owners or any other Indemnified Party or the servicing of the Pool Receivables, including without limitation, any withholding taxes that are imposed by Canada or any political subdivision thereof on any Indemnified Party or that are withheld from any Collections or other payments made hereunder, and any Taxes that are imposed on any Indemnified Party as a result of such Indemnified Party acquiring a permanent establishment in Canada as a result of the transactions contemplated hereby or by the Canadian Receivables Sale Agreement; or

(xviii) to the extent not covered by the foregoing clauses, the occurrence and continuance of any Event of Termination other than an Event of Termination arising under Section 7.01(f).

**Section 10.02. Currency**

(a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that provided for in the definition of Dollar Equivalent.

(b) The obligations of the Seller in respect of any sum due to any party hereto (or their respective assigns) or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the Seller agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss.

**ARTICLE XI**

**MISCELLANEOUS**

**Section 11.01. Amendments, Etc.**

No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Seller or the Servicer therefrom, shall be effective unless in a writing signed by the Agent and the Required Purchasers and, in the case of any such amendment, the Seller and the Servicer, 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) without the prior written consent of each Purchaser,

(i) amend the definitions of “Eligible Receivable”, “Net Receivables Pool Balance”, “Required Net Receivables Pool Balance”, “Reserve Percentage”, “Required Purchasers” or “Super-Majority Purchasers”, or

(ii) amend, modify or waive any provision of this Agreement in any way which would

(A) reduce the amount of a Capital Investment or Yield that is payable on account of any Capital Investment or delay any scheduled date for payment thereof or change the order of application of Collections to the payment thereof, or

(B) impair any rights expressly granted to such Purchaser or such Owner under this Agreement, or

(C) reduce fees payable by the Seller to or for the account of such Purchaser hereunder or delay the dates on which such fees are payable, or

(iii) amend or waive the Event of Termination contained in Section 7.01(f) relating to the bankruptcy of the Seller, the Servicer, or the Canadian Originator, or amend or waive the Event of Termination contained in Section 7.01(g) relating to the Net Receivables Pool Balance, or

(iv) change the percentage of Commitments, or the number of Owners or Purchasers, which shall be required for the Purchasers or any of them to take any action hereunder, or

(v) amend this Section 11.01, or

(vi) extend the Commitment Termination Date, or

(vii) increase the amount of the Total Commitment;

(b) without the consent of the applicable Purchaser, increase the Commitment of such Purchaser, subject such Purchaser to any additional obligations, or decrease the ownership interest of such Purchaser in the Purchased Property; and

(c) without the prior written consent of the Super-Majority Purchasers, amend Section 5.07(b) or the definition of “Total Excess Availability” or “Receivables Excess Availability”,

provided, however, that the Agent shall not, without the prior written consent of the Required Purchasers, either agree to any amendment or waiver of any provision of the Intercreditor Agreement or consent to any departure from the Intercreditor Agreement by any party thereto, and provided further, that (x) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Purchasers required above to take such action, affect the rights or duties of the Agent under this Agreement or the other Transaction Documents, and (y) no amendment, waiver or consent shall, unless in writing and signed by the Swing Purchaser in addition to the Purchasers required above to take such action, affect the rights or duties of the Swing Purchaser under this Agreement or the other Transaction Documents.

(d) If, in connection with any proposed amendment, modification, waiver or termination (a “Proposed Change”) requiring the consent of all affected Purchasers, the consent of Required Purchasers is obtained but the consent of other Purchasers whose consent is required is not obtained (any such Purchaser whose consent is not obtained as described in this being referred to as a “Non-Consenting Purchaser”), then, as long as the Purchaser acting as the Agent is not a Non-Consenting Purchaser, at the Seller’s request, any Eligible Assignee acceptable to the Agent shall have the right with the Agent’s consent and in the Agent’s sole discretion (but shall have no obligation) to purchase from such Non-Consenting Purchaser, and such Non-Consenting Purchaser agrees that it shall, upon the Agent’s request, sell and assign to the Purchaser acting as the Agent or such Eligible Assignee, all of the Commitments, Capital Investments and interests in the Purchased Property of such Non-Consenting Purchaser for an amount equal to the Capital Investment represented by the interest held by the Non-Consenting Purchaser and all accrued and unpaid Yield and fees with respect thereto through the date of sale; provided, however, that such purchase and sale shall not be effective until (x) the Agent shall have received from such Eligible Assignee an agreement in form and substance satisfactory to the Agent and the Seller whereby such Eligible Assignee shall agree to be bound by the terms hereof, (y) such Non-Consenting Purchaser shall have received payments of all interests held by it in the Purchased Property and all accrued and unpaid Yield and fees with respect thereto through the date of the sale and (z) such purchase and sale has been recorded in the Register maintained by the Agent. Each Purchaser agrees that, if it becomes a Non-Consenting Purchaser, it shall execute and deliver to the Agent an Assignment and Acceptance to evidence such sale and purchase subject to such Assignment and Acceptance; and provided, further, however, that the failure of any Non-Consenting Purchaser to execute an Assignment and Acceptance shall not render such sale and purchase (and the corresponding assignment) invalid.

(e) No failure on the part of any Purchaser or the Agent 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. Without limiting the foregoing, each Purchaser is hereby authorized by the Seller upon the occurrence and during the continuance of an Event of Termination, to the fullest extent permitted by law, to setoff 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 Purchaser to or for the credit or the account of the Seller against any and all of the obligations of the Seller now or hereafter existing under this Agreement to such Purchaser or, if such Purchaser is Citicorp, to the Agent or any Affiliate thereof, irrespective of whether or not any formal demand shall have been made under this Agreement and although such obligations may be unmatured. Each Purchaser agrees promptly to notify the Seller after any such setoff and application; provided, however, that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Purchaser under this Section 11.01 are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Purchaser may have.

#### **Section 11.02. Notices, Etc.**

All notices and other communications hereunder shall, unless otherwise stated herein, be given in writing or by any telecommunication device capable of creating a written record (including electronic mail), (i) to each of the Seller, the Servicer, the Agent and the Initial Purchasers, at its address set forth under its name on the signature pages hereof, (ii) to each Purchaser other than the Initial Purchasers, at its address specified on the Assignment and Acceptance pursuant to which it became a Purchaser hereunder or (iii) to any party hereto at such other address as shall be designated by such party in a notice to the other parties hereto given as provided herein. All such notices and communications shall be effective when received.

### **Section 11.03. Binding Effect; Assignability.**

This Agreement shall be binding upon and inure to the benefit of the Seller, PolyOne, the Agent, the Swing Purchaser and each Purchaser and their respective successors and assigns, except that neither the Seller nor PolyOne (other than in its capacity as Servicer hereunder) shall have the right to assign its rights or obligations hereunder or any interest herein without the prior written consent of all Purchasers. This Agreement shall create and constitute the continuing obligation of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time, after the Termination Date, as no Capital Investment or any obligation of the Seller, PolyOne, the Canadian Originator or the Servicer under any Transaction Document shall be outstanding; provided, however, that rights and remedies with respect to the provisions of Sections 2.12, 2.13, 2.14, 10.01, 11.04, 11.06, and 11.07 shall be continuing and shall survive any termination of this Agreement.

### **Section 11.04. Costs and Expenses.**

The Seller agrees to pay, upon receipt of a written invoice, all costs and expenses in connection with the preparation, execution, delivery and administration (including periodic auditing of Receivables) of, and searches and filings in respect of, this Agreement, the other Transaction Documents and the other documents and agreements to be delivered hereunder and thereunder, including, without limitation, the reasonable fees and disbursements of (a) on a full indemnity basis, counsel for the Agent with respect thereto and advising the Agent as to its rights and remedies hereunder and (b) internal and external auditors. The Seller further agrees to pay on demand all costs and expenses, if any (including, without limitation, reasonable counsel fees and disbursements on a full indemnity basis), of each Owner, the Agent or any Affiliate thereof, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the other Transaction Documents and the other documents and agreements to be delivered in connection herewith or therewith. Each written invoice shall set forth the basis therefor in reasonable detail and shall be conclusive and binding absent manifest error.

### **Section 11.05. Confidentiality.**

(a) The Seller, the Servicer, PolyOne, the Purchasers and the Agent hereby agree that each of the Servicer, PolyOne, the Seller, the Purchasers and the Agent (and each of their respective, and their respective Affiliates, employees, officers, directors, agents and advisors) is, and has been from the commencement of discussions with respect to the receivables program established hereunder, permitted to disclose to any and all Persons, without limitation of any kind, the structure and tax aspects (as such terms are used in Code Sections 6011, 6111 and 6112 and the regulations promulgated thereunder) of the receivables program established hereunder, and all materials of any kind (including opinions or other tax analyses) that are or have been provided to the Servicer, PolyOne, the Seller, such Purchasers or the Agent related to such structure and tax aspects. In this regard, each of the Servicer, PolyOne, the Seller, the Purchasers and the Agent acknowledges and agrees that its disclosure of the structure or tax aspects of the receivables program established hereunder is not limited in any way by an express or implied understanding or agreement, oral or written (whether or not such understanding or agreement is legally binding). Furthermore, each of the Servicer, PolyOne, the Seller, the Purchasers and the Agent acknowledges and agrees that it does not know or have reason to know that its use or disclosure of information relating to the structure or tax aspects of the receivables program established hereunder is limited in any other manner (such as where the receivables program established hereunder is claimed to be proprietary or exclusive) for the benefit of any other Person. To the extent that disclosure of the structure or tax aspects of the receivables program established hereunder by the Servicer, PolyOne, the Seller, the Agent or the Purchasers is limited by any existing agreement between the Servicer, PolyOne, the Seller, the Agent or the Purchasers, such limitation is agreed to be void ab initio and such agreement

is hereby amended to permit disclosure of the structure and tax aspects of the receivables program established hereunder as provided in this clause (a).

(b) Subject to clause (a) of this Section 11.05, neither the Agent nor any Purchaser may disclose to any Person any confidential, proprietary or non-public information of the Canadian Originator or the Seller furnished to the Agent or the Purchasers by either the Canadian Originator or the Seller (such information being referred to collectively herein as the “Originator’s Information”), except that each of the Agent and each of the Purchasers may disclose the Canadian Originator’s Information (i) to its and its Affiliates’ employees, officers, directors, agents and advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of the Canadian Originator’s Information and instructed to keep the Canadian Originator’s Information confidential on substantially the same terms as provided herein), (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) if reasonably necessary in connection with the exercise of any remedies hereunder or under any other Transaction Document or any suit, action or proceeding relating to this Agreement or any other Transaction Document or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section 11.05 to any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement, (vii) to the extent the Canadian Originator’s Information (A) is or becomes generally available to the public on a non-confidential basis other than as a result of a breach of this Section 11.05 by the Agent or such Purchaser, or (B) is or becomes available to the Agent or such Purchaser on a non-confidential basis from a source other than the Canadian Originator, the Servicer, PolyOne or the Seller, and (viii) with the prior written consent of the Servicer, PolyOne or the Seller.

(c) Subject to clause (a) of this Section 11.05, none of the Servicer, PolyOne or the Seller may disclose to any Person the amount or terms of any fees payable to the Agent or any Purchaser (such information being collectively referred to herein as the “Program Information”), except that the Servicer, PolyOne or the Seller may disclose the Program Information (i) to its and its respective Affiliates’ employees, officers, directors, agents and advisors who have a need to know the Program Information in connection with this Agreement and the transactions contemplated hereby or (ii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process.

**Section 11.06. Governing Law.**

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE PROVINCE OF ONTARIO AND THE LAWS OF CANADA APPLICABLE THEREIN.

**Section 11.07. 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 any of the other Transaction Documents to which it is a party, 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 of the parties hereto hereby agrees that service of process in any such action or proceeding may be effected by mailing a summons and complaint to it at its address specified in Section 11.02 by registered mail, return receipt requested, or in any other manner permitted by applicable law.

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. 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 any of the other Transaction Documents in the courts of any other 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 action or proceeding arising out of or relating to this Agreement or any of the other Transaction Documents to which it is a party 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 11.08. Execution in Counterparts.**

This Agreement may be executed in any number of 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 by telecopier of an executed counterpart of a signature page to this Agreement shall be effective as delivery of an original executed counterpart of this Agreement.

**Section 11.09. Intent of the Parties.**

(a) It is the intention of the parties hereto that each Purchase and reinvestment shall convey to the Agent on behalf of the Owners, a 100% ownership interest in the Pool Receivables and the Related Security and Collections in respect thereof and that such transaction shall constitute a purchase and sale and not a secured loan for all purposes.

(b) In addition to any ownership interest which the Agent or any Owner may from time to time acquire pursuant hereto and without limiting the foregoing, the Seller hereby grants to the Agent for the benefit of itself and each such Owner a valid and perfected security interest in all of the Seller's right, title and interest in, to and under any Pool Receivables and the Related Security and Collections in respect thereof and any cash collateral under this Agreement not sold hereunder, free and clear of Adverse Claims and to secure the prompt and complete payment of all amounts payable hereunder by the Seller (in any capacity hereunder), including fees and indemnity payments. After the occurrence and during the continuation of an Event of Termination, the Agent and the Owners shall have, in addition to the rights and remedies that they may have under this Agreement, all other rights and remedies provided to a secured creditor after default under the PPSA and other applicable law, which rights and remedies shall be cumulative.

**Section 11.10. Entire Agreement.**

This Agreement and the other Transaction Documents contain a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, written or oral, relating to the subject matter hereof.

**Section 11.11. Severability of Provisions.**

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without

invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

**Section 11.12. No Liability of Syndication Agent.**

The Syndication Agent in its capacity as such shall not have any duties or responsibilities or shall incur any liability under this Agreement or any of the other Transaction Documents.

**Section 11.13. Waiver of Jury Trial.**

**Each of the parties hereto irrevocably waives, to the fullest extent permitted by law, 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 any of the other Transaction Documents, the Purchases or the actions of the Agent or any Indemnified Party in the negotiation, administration, performance or enforcement hereof or thereof.**

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

POLYONE FUNDING CANADA CORPORATION,  
as Seller

By: \_\_\_\_\_  
Name: John Rastetter  
Title: President

Address: 940 Chippawa Creek Road  
P.O. Box 1026  
Niagara Falls, Ontario  
Canada L2E 6V9

Attention: President

Telephone No.: (440) 930-3105  
Telecopier No.: (440) 930-1839  
e-mail: John.Rastetter@Polyone.com

[CANADIAN RECEIVABLES PURCHASE AGREEMENT]

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POLYONE CORPORATION,  
as Servicer

By: \_\_\_\_\_

Name: John Rastetter

Title: Treasurer

Address: 33587 Walker Road  
Avon Lake, Ohio 44012

Attention: Treasurer

Telephone No.: (440) 930-3105

Telecopier No.: (440) 930-1839

e-mail: [John.Rastetter@Polyone.com](mailto:John.Rastetter@Polyone.com)

[CANADIAN RECEIVABLES PURCHASE AGREEMENT]

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AGENT

CITICORP USA, INC.,  
as Agent

By: \_\_\_\_\_  
Name: David Jaffe  
Title: Vice President/Director

Address: 388 Greenwich Street  
19th Floor  
New York, New York 10013

Attention: David Jaffe

Telephone No.: (212) 816-2329  
Telecopier No.: (212) 816-2613  
e-mail: david.jaffe@citigroup.com

[CANADIAN RECEIVABLES PURCHASE AGREEMENT]

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SYNDICATION AGENT

NATIONAL CITY BUSINESS CREDIT, INC.,  
as Syndication Agent

By: \_\_\_\_\_

Name:

Title:

Address: 1965 East 6th Street,  
Suite 400  
Cleveland, Ohio, 44114

Attention: \_\_\_\_\_

Telephone No.: (216) 222-9918

Telecopier No.: (216) 222-9555

e-mail: \_\_\_\_\_

[CANADIAN RECEIVABLES PURCHASE AGREEMENT]

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PURCHASERS:

CITICORP USA, INC.,  
as Agent

By: \_\_\_\_\_

Name: David Jaffe  
Title: Vice President/Director

Address: 388 Greenwich Street  
19th Floor  
New York, New York 10013

Attention: David Jaffe

Telephone No.: (212) 816-2329  
Telecopier No.: (212) 816-2613  
e-mail: david.jaffe@citigroup.com

NATIONAL CITY BUSINESS CREDIT, INC.,  
as an Initial Purchaser

By: \_\_\_\_\_

Name:  
Title:

Address: 1965 East 6th Street  
Suite 400  
Cleveland, Ohio 44114

Attention: \_\_\_\_\_

Telephone No.: \_\_\_\_\_  
Telecopier No.: \_\_\_\_\_  
e-mail: \_\_\_\_\_

[CANADIAN RECEIVABLES PURCHASE AGREEMENT]

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WEBSTER BUSINESS CREDIT CORPORATION  
as an Initial Purchaser

By: \_\_\_\_\_

Name:

Title:

Address: One State Street  
New York, New York 10004

Attention: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Telecopier No.: \_\_\_\_\_

e-mail: \_\_\_\_\_

[CANADIAN RECEIVABLES PURCHASE AGREEMENT]

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BANK OF AMERICA, N.A.,  
as an Initial Purchaser

By: \_\_\_\_\_

Name:

Title:

Address: 200 Glastonbury Blvd  
Glastonbury, CT 06033

Attention: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Telecopier No.: \_\_\_\_\_

e-mail: \_\_\_\_\_

with a copy to:

Address: 200 Glastonbury Blvd  
Glastonbury, CT 06033

Attention: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Telecopier No.: \_\_\_\_\_

e-mail: \_\_\_\_\_

[CANADIAN RECEIVABLES PURCHASE AGREEMENT]

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PNC BANK, N.A.,  
as an Initial Purchaser

By: \_\_\_\_\_

Name:

Title:

Address: 1600 Market Street  
31st Floor  
Philadelphia, Pennsylvania 19103

Attention: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Telecopier No.: \_\_\_\_\_

e-mail: \_\_\_\_\_

[CANADIAN RECEIVABLES PURCHASE AGREEMENT]

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THE CIT GROUP/BUSINESS CREDIT, INC.,  
as an Initial Purchaser

By: \_\_\_\_\_

Name:

Title:

Address : 1211 Avenue of the Americas  
New York, New York 10036

Attention: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Telecopier No.: \_\_\_\_\_

e-mail: \_\_\_\_\_

[CANADIAN RECEIVABLES PURCHASE AGREEMENT]

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U.S. BANK NATIONAL ASSOCIATION,  
as an Initial Purchaser

By: \_\_\_\_\_

Name:

Title:

Address: U.S. Bank Business Credit  
425 Walnut Street  
14th Floor  
CN-OH-W14S  
Cincinnati, Ohio 45202

Attention: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Telecopier No.: \_\_\_\_\_

e-mail: \_\_\_\_\_

[CANADIAN RECEIVABLES PURCHASE AGREEMENT]

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MERRILL LYNCH CAPITAL,  
a division of Merrill Lynch Business  
Financial Services, Inc.  
as an Initial Purchaser

By: \_\_\_\_\_

Name:

Title:

Address: 225 Liberty Street  
5th Floor  
New York, New York 10281

Attention: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Telecopier No.: \_\_\_\_\_

e-mail: \_\_\_\_\_

[CANADIAN RECEIVABLES PURCHASE AGREEMENT]

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**FORM OF  
ASSIGNMENT AND ACCEPTANCE**

Dated as of \_\_\_\_\_, 20\_\_

Reference is made to the Canadian Receivables Purchase Agreement dated as of July \_\_\_\_, 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Canadian Receivables Purchase Agreement"), among POLYONE FUNDING CANADA CORPORATION, a Canadian corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the servicer (the "Servicer"), the banks and other financial institutions listed on the signature pages of the Canadian Receivables Purchase Agreement as purchasers, CITICORP USA, INC., a Delaware corporation, as administrative agent (the "Agent") for the Purchasers and the other Owners (each as defined in the Canadian Receivables Purchase Agreement), and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation, as the syndication agent. Unless otherwise defined herein, terms defined in the Canadian Receivables Purchase Agreement are used herein as therein defined.

\_\_\_\_\_(the "Assignor") and \_\_\_\_\_ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, [all of] [an interest in] the Assignor's rights and obligations under the Canadian Receivables Purchase Agreement equal to the amounts specified on *Section 1 of Schedule I* hereto. The Commitment and principal amount of the Capital Investments assigned to the Assignee are set forth in *Section 1* of such *Schedule I* and the Commitment and principal amount of the Capital Investments retained by the Assignor after giving effect to such sale and assignment are set forth in *Section 2* of such *Schedule I*.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest in the Canadian Receivables Purchase Agreement being assigned by it hereunder and that such interest is free and clear of any Adverse Claim created by it; (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 Canadian Receivables Purchase Agreement or any other Transaction Document or any other instrument or document furnished pursuant thereto, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Canadian Receivables Purchase Agreement or any other Transaction Document or any such other instrument or document furnished pursuant thereto, or the perfection, priority or value of any ownership interest or security interest created or purported to be created under the Canadian Receivables Purchase Agreement or under the Canadian Receivables Sale Agreement; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Seller or the Canadian Originator or the performance or observance by the Seller or the Canadian Originator of any of their respective obligations

under the Canadian Receivables Purchase Agreement or any other Transaction Document or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Canadian Receivables Purchase Agreement and the other Transaction Documents together with such other documents and information as it has deemed appropriate to make its own analysis and decision to enter into this Assignment and Acceptance and to purchase the interest being purchased by it hereunder; (ii) agrees that it will, independently and without reliance upon the Agent, any of its Affiliates, the Assignor or any other Purchaser 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 the Canadian Receivables Purchase Agreement and the other Transaction Documents and the other instruments and documents furnished pursuant thereto; (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Canadian Receivables Purchase Agreement and the other Transaction Documents and any other instrument or document furnished pursuant thereto as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (iv) appoints as its agent the Servicer from time to time designated pursuant to Section 6.01 of the Canadian Receivables Purchase Agreement to enforce its respective rights and interests in and under the Pool Receivables and the Related Security and Collections with respect thereto and the related Contracts; (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Canadian Receivables Purchase Agreement are required to be performed by it as a Purchaser; (vi) confirms that it is an Eligible Assignee under and as defined in the Canadian Receivables Purchase Agreement; (vii) agrees that it will not institute against the assigning Purchaser or any other Purchaser any proceeding of the type referred to in Section 7.01(f) of the Canadian Receivables Purchase Agreement as long as any promissory notes issued by such Purchaser shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such promissory notes shall have been outstanding; and (viii) specifies as its address and telecopier number for notices the office and telecopier number set forth beneath its name on the signature pages hereof.

4. Following the execution of this Assignment and Acceptance, the parties hereto shall promptly deliver such Assignment and Acceptance to the Agent for acceptance and recording by the Agent and to the Seller. The effective date for this Assignment and Acceptance shall be the later of (i) the date the Agent receives this Assignment and Acceptance executed by the parties hereto and (ii) the date of this Assignment and Acceptance (the "Effective Date").

5. Upon such acceptance and recording, as of the Effective Date, (i) the Assignee shall be a party to the Canadian Receivables Purchase Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Purchaser 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 Canadian Receivables Purchase Agreement.

6. Upon such acceptance and recording, from and after the Effective Date, the Agent shall make all payments under the Canadian Receivables Purchase Agreement in respect of the interest assigned hereby (including, without limitation, all payments of Capital, Yield and fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Canadian Receivables Purchase Agreement 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 Province of Ontario.

**[NAME OF ASSIGNOR]**

By: \_\_\_\_\_  
Name:  
Title:

**[NAME OF ASSIGNEE]**

By: \_\_\_\_\_  
Name:  
Title:

**[Address, telephone number and telecopier number  
and e-mail address]**

Attention: \_\_\_\_\_

Accepted this \_\_\_ day  
of \_\_\_\_\_, 20\_\_\_

**CITICORP USA, INC.,**  
as Agent

By: \_\_\_\_\_  
Name:  
Title:

Accepted this \_\_\_ day  
of \_\_\_\_\_, 20\_\_

**POLYONE FUNDING CANADA CORPORATION,**  
as Seller

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE I  
TO  
ASSIGNMENT AND ACCEPTANCE**

**Section 1**

Percentage of aggregate Commitments assigned to Assignee: \_\_\_\_\_ %

Aggregate Commitments assigned to Assignee: \$ \_\_\_\_\_

Aggregate Outstanding Principal Amount of Capital Investments Assigned to Assignee: \$ \_\_\_\_\_

**Section 2**

Percentage of aggregate Commitments retained by Assignor: \_\_\_\_\_ %

Aggregate Commitment retained by Assignor: \$ \_\_\_\_\_

Aggregate Outstanding Principal Amount of Capital Investment retained by Assignor: \$ \_\_\_\_\_

**FORM OF  
SELLER REPORT**

Date: \_\_\_\_\_, 20\_\_

Reference is made to the Canadian Receivables Purchase Agreement dated as of July \_\_, 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Agreement"), among POLYONE FUNDING CANADA CORPORATION, a Canadian corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the servicer (the "Servicer"), the banks and other financial institutions listed on the signature pages of the Agreement as purchasers, CITICORP USA, INC., a Delaware corporation, as administrative agent (the "Agent") for the Purchasers and the other Owners (each as defined in the Agreement), and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation, as the syndication agent. Unless otherwise defined herein, terms defined in the Agreement are used herein as therein defined.

The undersigned hereby certifies to the Agent that, as of the close of business on the date set forth above: (i) [s]he is the [title] of the Seller; (ii) the information contained in Exhibit A to this Seller Report is true and correct in all material respects; and (iii) the information contained in Exhibit A to this Seller Report does not contain any untrue statement of a material fact and does not omit to state, as of the date hereof and as of the date so furnished, a material fact necessary in order to make the statements contained herein, in light of the circumstances under which they are made, not misleading.

The undersigned hereby acknowledges that the Capital Investments by the Purchasers are based upon the Purchasers' reliance on the information contained herein and all representations and warranties with respect to Receivables in the Agreement and the other Transaction Documents are applicable to the Receivables included in this Certificate. The reliance by the Purchasers or the Agent on this Certificate shall not be deemed to limit the right of the Agent to establish or revise criteria of eligibility or reserves in accordance with the Agreement.

As of the date of this Seller Report, no Potential Event of Termination or Event of Termination exists or has occurred and is continuing.

**POLYONE FUNDING CANADA CORPORATION**

By: \_\_\_\_\_

Name:

Title:

B-1-1

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**EXHIBIT A to  
SELLER'S REPORT**

Date: \_\_\_\_\_, 20\_\_

Number: [   ]

**Net Receivables Pool Balance**

1	Total Pool Receivables as of [date of prior report]	\$	
2	Less: Collections	-	
3	Less: Credits and Adjustments	-	
4	Add: Debits	+	
5	Add: New sales since date of prior Report	+	
6	Current total of all Pool Receivables as of _____, 20__	\$	
7	Net Receivables Pool Balance (Schedule 1)	\$	

**Reconciliation of Capital Investments<sup>1</sup>**

8	Principal amount of outstanding Capital Investments as of [date of prior report]	\$	
9	Less: Net cash Collections since [date of prior report]	-	
10	Add: Capital Investments made since [date of prior report]	+	
11	Current principal amount of outstanding Capital Investments	\$	
12	Unused Net Receivables Pool Balance (line 7 minus line 11)	\$	

**Aging of Receivables**

		<u>PolyOne Canada Inc.</u>	
Current	\$		
< 30 days past due	\$		
31—60 days past due	\$		
61—90 days past due	\$		
> 90 days past due	\$		
Pre-Season Deferred	\$		
Over/underpayments	\$		
Total	\$		

<sup>1</sup> Includes Purchases and Reimbursement Obligations.

**Schedule 1 to  
Seller Report**

**Net Receivables Pool Balance  
as of \_\_\_\_\_, 20**

1	Total Receivables as of [date of prior report]	\$	
2	> 60 days past due; or > 90 days from invoice date	\$	
3	> 120 days past invoice date for extended terms	-	
4	Terms >= 90 days	-	
5	Claims / disputes	-	
6	Subject to Adverse Claim	-	
7	Bill-and-hold invoices	-	
8	Progress billing	-	
9	Bankrupt customers (< 60 days past due portion)	-	
10	Customer deductions	-	
11	Credits in past due	-	
12	Cross-aged at 50%	-	
13	Credit balance reclass	-	
14	Credits applied to past dues	-	
15	Intercompany / Affiliates (< 60 days past due portion)	-	
16	Customer rebate reserve	-	
17	Excess concentration reserve	-	
18	Promissory note	-	
19	Contras	-	
20	Government Receivables	-	
21	Foreign receivables (ex permitted Canada) (< 60 days past due portion)	-	
22	Foreign currency	-	
23	Other reserves and reductions	-	
24	Total Ineligible	\$	
25	Net Eligible Receivables	\$	
26	Advance Rate (100% - Reserve Percentage)	×	85%
27	Net Receivables Pool Balance — Domestic	\$	

**FORM OF  
RECEIVABLES REPORT**

Date: \_\_\_\_\_, 20 \_\_\_\_\_

Reference is made to the Canadian Receivables Purchase Agreement dated as of July \_\_\_\_\_, 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Agreement"), among POLYONE FUNDING CANADA CORPORATION, a Canadian corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the servicer (the "Servicer"), the banks and other financial institutions listed on the signature pages of the Agreement as purchasers, CITICORP USA, INC., a Delaware corporation, as administrative agent (the "Agent") for the Purchasers and the other Owners (each as defined in the Agreement), and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation, as the syndication agent. Unless otherwise defined herein, terms defined in the Agreement are used herein as therein defined.

The undersigned hereby certifies to the Agent that, as of the close of business on the date set forth above: (i) [s]he is the [title] of the Servicer; (ii) the information contained in Exhibit A to this Receivables Report is true and correct in all material respects; and (iii) the information contained in Exhibit A to this Receivables Report does not contain any untrue statement of a material fact and does not omit to state, as of the date hereof and as of the date so furnished, a material fact necessary in order to make the statements contained herein, in light of the circumstances under which they are made, not misleading.

The undersigned hereby acknowledges that the Capital Investments by the Purchasers are based upon the Purchasers' reliance on the information contained herein and all representations and warranties with respect to Receivables in the Agreement and the other Transaction Documents are applicable to the Receivables included in this Certificate. The reliance by the Purchasers or the Agent on this Certificate shall not be deemed to limit the right of the Agent to establish or revise criteria of eligibility or reserves in accordance with the Agreement.

As of the date of this Receivables Report, no Potential Event of Termination or Event of Termination exists or has occurred and is continuing.

**POLYONE CORPORATION**

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**  
**to**  
**RECEIVABLES REPORT**

Date: \_\_\_\_\_, 20\_\_

Number: [    ]

**Net Receivables Pool Balance**

1 Total Pool Receivables as of [date of prior report]	\$	
2 Less: Collections	—	
3 Less: Credits and Adjustments	—	
4 Add: Debits	+	
5 Add: New sales since date of prior Report	+	
6 Current total of all Pool Receivables as of _____, 20__	\$	
7 Net Receivables Pool Balance (Schedule 1)	\$	

**Reconciliation of Capital Investments<sup>1</sup>**

8 Principal amount of outstanding Capital Investments as of [date of prior report]	\$	
9 Less: Net cash Collections since [date of prior report]	—	
10 Add: Capital Investments made since [date of prior report]	+	
11 Current principal amount of outstanding Capital Investments	\$	
12 Unused Net Receivables Pool Balance (line 7 minus line 11)	\$	

<sup>1</sup> Includes Purchases and Reimbursement Obligations.

**Schedule 1 to  
Receivables Report**  
**Net Receivables Pool Balance**  
**as of \_\_\_\_\_, 20\_\_**

1 Total Receivables as of [date of prior report]	\$	
2 > 60 days past due; or > 90 days from invoice date	\$	
3 > 120 days past invoice date for extended terms	—	
4 Terms >= 90 days	—	
5 Claims / disputes	—	
6 Subject to Adverse Claim	—	
7 Bill-and-hold invoices	—	
8 Progress billing	—	
9 Bankrupt customers (< 60 days past due portion)	—	
10 Customer deductions	—	
11 Credits in past due	—	
12 Cross-aged at 50%	—	
13 Credit balance reclass	—	
14 Credits applied to past dues	—	
15 Intercompany / Affiliates (< 60 days past due portion)	—	
16 Customer rebate reserve	—	
17 Excess concentration reserve	—	
18 Promissory note	—	
19 Contras	—	
20 Government Receivables	—	
21 Foreign receivables (ex permitted Canada) (< 60 days past due portion)	—	
22 Foreign currency	—	
23 Other reserves and reductions	—	
24 Total Ineligible	\$	
25 Net Eligible Receivables	\$	
26 Advance Rate (100% — Reserve Percentage)	×	85%
27 Net Receivables Pool Balance — Domestic	\$	

**FORM OF  
LOCK-BOX AGREEMENT**

[The form of Lock-Box Agreement is to be created post-signing and to be in form and substance acceptable to the Agent]

**FORM OF  
CANADIAN RECEIVABLES SALE AGREEMENT**

See attached Exhibit 10.4.

**FORM OF  
CANADIAN CONSENT AND AGREEMENT**

See Attached.



**CANADIAN  
CONSENT AND AGREEMENT**

Dated: July \_\_, 2007

PolyOne Canada Inc.  
940 Chippawa Creek Road  
P.O. Box 1026  
Niagara Falls, Ontario  
Canada L2E 6V9

Attention: Treasurer

Ladies and Gentlemen:

Reference is made to that certain Canadian Receivables Sale Agreement, dated as of the date hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Canadian Receivables Sale Agreement"), among PolyOne Canada Inc. ("PolyOne" the "Seller" or "you"), PolyOne Funding Canada Corporation (together with its successors and assigns, the "Buyer" or "us") and PolyOne Corporation, as the Buyer's Servicer. Capitalized terms used in this Canadian Consent and Agreement (this "Agreement") but not otherwise defined herein shall have the meanings ascribed to such terms in the Canadian Receivables Sale Agreement.

We hereby notify you that we have sold and assigned to Citicorp USA, Inc., as administrative agent (together with its successors and assigns from time to time, the "Agent") for the benefit of itself and the other Purchasers, and their respective affiliates, assigns and participants from time to time (collectively the "Owners"), and each other Indemnified Party from time to time, all of our right, title and interest in and to the following (collectively the "Assigned Rights"):

- (a) the Canadian Receivables Sale Agreement, including, without limitation:
    - (i) all rights to receive moneys due and to become due under or pursuant to the Canadian Receivables Sale Agreement;
    - (ii) all rights to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Canadian Receivables Sale Agreement;
    - (iii) claims for damages arising out of or for breach of or default under the Canadian Receivables Sale Agreement; and
-

(iv) the right to perform under the Canadian Receivables Sale Agreement and to compel performance and otherwise exercise all remedies thereunder; and

(b) all proceeds of any and all of the foregoing Assigned Rights (including, without limitation, proceeds which constitute property of the types described in clause (a) above).

In connection with the sale and assignment described above, we hereby irrevocably instruct the Seller, and by the Seller's execution in the space provided on the last page hereof the Seller hereby agrees for the benefit of the Agent, the Owners and the Indemnified Parties as follows:

(1) The Seller shall make all payments to be made by it to the Buyer under or in connection with the Canadian Receivables Sale Agreement directly to the Agent by payment to the account (account number 30537802, ABA 021000089, Reference: CUSA f/a/o PolyOne Concentration) of the Agent maintained at the office of Citibank, N.A. at 399 Park Avenue, New York, New York 10043, Attention: Hien Nugent, or otherwise in accordance with the instructions of the Agent.

(2) All payments to be made by the Seller to the Buyer under or in connection with the Canadian Receivables Sale Agreement shall be made by the Seller irrespective of, and without deduction for, any counterclaim, defense, recoupment or set-off (including, without limitation, any counterclaim, defense, recoupment or set-off under or otherwise in respect of the Canadian Subordinated Notes), and shall be final, and the Seller will not seek to recover from the Agent, any Owner or any Indemnified Party for any reason any such payment once made.

(3) The Agent shall be entitled, as and to the extent agreed among the Buyer, the Owners and the Agent, to exercise any and all of the Buyer's rights and remedies as the Buyer under the Canadian Receivables Sale Agreement, including, without limitation, the Buyer's right to make requests, demands for payment and other demands, determinations and designations, to amend, supplement or modify, to give consents or waivers, and to deliver notices to the Seller, and to receive notices, requests, reports and other information to be delivered by the Seller, from time to time thereunder; and the Seller shall in all respects comply with and perform in respect of such exercise. Neither the Agent nor any Owner nor any Indemnified Party shall have any obligation or liability with respect to any of the Buyer's obligations under the Canadian Receivables Sale Agreement in the absence of its gross negligence or willful misconduct.

(4) The Agent shall be authorized to file, at any time and from time to time, one or more financing statement amendments that assign the financing statements that are referred to in Section 2.01(c) of the Canadian Receivables Sale Agreement or that otherwise cover the Receivable Assets to the Agent.

In order to induce the Owners to purchase interests from time to time in Pool Receivables, by execution of this Agreement, the Seller hereby acknowledges and agrees:

(i) On the date hereof, the Seller hereby reaffirms for the benefit of the Agent, the Owners and the Indemnified Parties the representations and warranties made by it in Section 3.01 of the Canadian Receivables Sale Agreement.

(ii) The Canadian Receivables Sale Agreement is (A) the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, in each case except as may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity, and (B) in full force and effect, and is not subject to any dispute, offset, counterclaim or defense whatsoever.

(iii) The Seller will, at its expense, (A) timely and fully perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under the Canadian Receivables Sale Agreement, (B) maintain the Canadian Receivables Sale Agreement in full force and effect, (C) enforce the Canadian Receivables Sale Agreement in accordance with its terms, (D) take all such action to such end as may be from time to time reasonably requested by the Agent, and (E) make to any party to the Canadian Receivables Sale Agreement such demands and requests for information and reports or for action as it is entitled to make thereunder and as may be from time to time reasonably requested by the Agent.

(iv) The Seller will promptly and in any event within one (1) Business Day after its delivery or receipt thereof, deliver to the Agent copies of all financial statements, reports, notices, statements and other documents and information delivered or received by the Seller from time to time under or in connection with the Canadian Receivables Sale Agreement.

(v) The Seller will not (A) cancel or terminate the Canadian Receivables Sale Agreement or consent to or accept any cancellation or termination thereof, (B) amend or otherwise modify any term or condition of the Canadian Receivables Sale Agreement or give any consent, waiver or approval thereunder, (C) waive any material default under or material breach of the Canadian Receivables Sale Agreement or (D) take any other action under the Canadian Receivables Sale Agreement not required by the terms thereof, in each case, that would impair the value of any Receivables or the rights or interests of the Buyer thereunder or the rights or interests of the Agent, the Owners or the Indemnified Parties hereunder or thereunder.

In order to induce the Owners to purchase interests from time to time in Pool Receivables, by execution of this Agreement, Seller hereby further acknowledges and agrees to cause the Buyer to take or refrain from taking, as applicable, any of the actions set forth in clauses (i) through (v) immediately above with respect to the Canadian Receivables Sale Agreement.

Upon your execution in the space provided below, this Canadian Consent and Agreement shall be binding upon you and your respective successors, and shall inure to the benefit of the Agent, the Owners and the Indemnified Parties and their respective successors, transferees and assigns from time to time. This Canadian Consent and Agreement shall be governed by, and construed in accordance with, the laws of the Province of Ontario.

[Remainder of page intentionally left blank.]

Please consent to the sale and assignment described in the first paragraph hereof, and agree to the provisions of this Canadian Consent and Agreement, by signing in the space provided below on two of the enclosed copies hereof and sending both signed copies to the Agent at its address at 388 Greenwich Street, 19th Floor, New York, New York 10013, Attention: David Jaffe.

Very truly yours,

POLYONE FUNDING CANADA CORPORATION,  
as Buyer

By: \_\_\_\_\_  
Name: John Rastetter  
Title: President

The undersigned hereby consents to the sale and assignment described above and agrees to the above provisions as of the date first above written:

POLYONE CANADA INC.

By: \_\_\_\_\_  
Name: John Rastetter  
Title: Treasurer

[CANADIAN CONSENT AND AGREEMENT]

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FORM OF  
NOTICE OF PURCHASE

Dated as of \_\_\_\_\_, 20\_\_

Citicorp USA, Inc.,  
as Agent  
388 Greenwich Street, 19th Floor  
New York, New York 10013  
Attention: David Jaffe

Re: PolyOne Funding Canada Corporation

Ladies and Gentlemen:

Reference is made to the Canadian Receivables Purchase Agreement dated as of July \_\_, 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Canadian Receivables Purchase Agreement"), among POLYONE FUNDING CANADA CORPORATION, a Canadian corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the servicer (the "Servicer"), the banks and other financial institutions listed on the signature pages of the Canadian Receivables Purchase Agreement as purchasers, CITICORP USA, INC., a Delaware corporation, as administrative agent (the "Agent") for the Purchasers and the other Owners (each as defined in the Canadian Receivables Purchase Agreement), and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation, as the syndication agent. Unless otherwise defined herein, terms defined in the Canadian Receivables Purchase Agreement are used herein as therein defined.

The Seller hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Canadian Receivables Purchase Agreement that the Seller hereby requests a Purchase or Capital Increase under the Canadian Receivables Purchase Agreement, and in that connection sets forth below the information relating to such Purchase or Capital Increase (the "Proposed Purchase") as required by Section 2.02(a) of the Canadian Receivables Purchase Agreement:

- (i) The requested aggregate amount of such Proposed Purchase is \$ \_\_\_\_\_.
- (ii) The requested Business Day of such Proposed Purchase is \_\_\_\_\_, 20\_\_.
- (iii) The Proposed Purchase shall initially bear Yield based on the Citicorp [LIBO Rate][Base Rate].

The undersigned Seller hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Purchase, before and after giving effect to the Proposed Purchase and to the application of the proceeds therefrom:

(A) The representations and warranties contained in Article IV of the Canadian Receivables Purchase Agreement and in Article III of the Canadian Receivables Sale Agreement are correct in all material respects on and as of the date hereof, as though made on and as of the date hereof, other than any such representations and warranties that, by their terms, refer to a specific date other than the date hereof, in which case such representations and warranties shall have been true and correct as of such date.

(B) No event has occurred and is continuing, or would result from the Proposed Purchase or the application of the proceeds therefrom, which constitutes an Event of Termination or a Potential Event of Termination.

Delivery of an executed counterpart of this Notice of Purchase by telecopier shall be effective as delivery of an original executed counterpart of this Notice of Purchase.

Very truly yours,

**POLYONE FUNDING CANADA CORPORATION**, as Seller

By: \_\_\_\_\_  
Name:  
Title:

FORM OF  
SWING INCREASE REQUEST

Dated as of \_\_\_\_\_, 20\_\_

Citicorp USA, Inc.,  
as Agent  
388 Greenwich Street, 19th Floor  
New York, New York 10013  
Attention: David Jaffe

Re: PolyOne Funding Canada Corporation

Ladies and Gentlemen:

Reference is made to the Canadian Receivables Purchase Agreement dated as of July \_\_\_\_, 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Canadian Receivables Purchase Agreement"), among POLYONE FUNDING CANADA CORPORATION, a Canadian corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the servicer (the "Servicer"), the banks and other financial institutions listed on the signature pages of the Canadian Receivables Purchase Agreement as purchasers, CITICORP USA, INC., a Delaware corporation, as administrative agent (the "Agent") for the Purchasers and the other Owners (each as defined in the Canadian Receivables Purchase Agreement), and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation, as the syndication agent. Unless otherwise defined herein, terms defined in the Canadian Receivables Purchase Agreement are used herein as therein defined.

The Seller hereby gives you notice, irrevocably, pursuant to Section 2.03 of the Canadian Receivables Purchase Agreement that the Seller hereby requests a Swing Increase under the Canadian Receivables Purchase Agreement, and in that connection sets forth below the information relating to such Swing Increase (the "Proposed Swing Increase") as required by Section 2.03(b) of the Canadian Receivables Purchase Agreement:

- (i) The requested aggregate amount of such Proposed Swing Increase is \$ \_\_\_\_\_.
- (ii) The requested Business Day of such Proposed Swing Increase is \_\_\_\_\_, 20\_\_.
- (iii) The Proposed Swing Increase shall initially bear Yield based on the Citicorp Base Rate.



The undersigned Seller hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Swing Increase, before and after giving effect to the Proposed Swing Increase and to the application of the proceeds therefrom:

(A) The representations and warranties contained in Article IV of the Canadian Receivables Purchase Agreement and in Article III of the Canadian Receivables Sale Agreement are correct in all material respects on and as of the date hereof, as though made on and as of the date hereof, other than any such representations and warranties that, by their terms, refer to a specific date other than the date hereof, in which case such representations and warranties shall have been true and correct as of such date.

(B) No event has occurred and is continuing, or would result from the Proposed Swing Increase or from the application of the proceeds therefrom, which constitutes an Event of Termination or a Potential Event of Termination.

Delivery of an executed counterpart of this Swing Increase Request by telecopier shall be effective as delivery of an original executed counterpart of this Swing Increase Request.

Very truly yours,

**POLYONE FUNDING CANADA CORPORATION**, as Seller

By: \_\_\_\_\_  
Name:  
Title:

[Deleted]

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FORM OF  
NOTICE OF CONVERSION OR CONTINUATION

Dated as of \_\_\_\_\_, 20\_\_

Citicorp USA, Inc.,  
as Agent  
388 Greenwich Street, 19th Floor  
New York, New York 10013  
Attention: David Jaffe

Re: PolyOne Funding Canada Corporation

Ladies and Gentlemen:

Reference is made to the Canadian Receivables Purchase Agreement dated as of July \_\_\_\_\_, 2007 (said Agreement, as it may from time to time be amended, restated, supplemented or otherwise modified, being the "Canadian Receivables Purchase Agreement"), among POLYONE FUNDING CANADA CORPORATION, a Canadian corporation (the "Seller"), POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the servicer (the "Servicer"), the banks and other financial institutions listed on the signature pages of the Canadian Receivables Purchase Agreement as purchasers, CITICORP USA, INC., a Delaware corporation, as administrative agent (the "Agent") for the Purchasers and the other Owners (each as defined in the Canadian Receivables Purchase Agreement), and NATIONAL CITY BUSINESS CREDIT, INC., an Ohio corporation, as the syndication agent. Unless otherwise defined herein, terms defined in the Canadian Receivables Purchase Agreement are used herein as therein defined.

The Seller hereby gives you notice, irrevocably, pursuant to Section 2.16 of the Canadian Receivables Purchase Agreement that the Seller hereby requests a [conversion][continuation] of Capital Investments under the Canadian Receivables Purchase Agreement, and in that connection sets forth below the information relating to such [conversion][continuation] of Capital Investments (the "Notice Information") as required by Section 2.16(a) of the Canadian Receivables Purchase Agreement:

- (i) The amount of Capital Investments that are the subject of this Notice is \$ \_\_\_\_\_ (the "Notice Investments"). The Notice Investments are presently bearing Yield at the Citicorp [LIBO Rate][Base Rate].
- (ii) The Notice Investments are being [continued for an additional Yield Period][converted to Capital Investments bearing Yield at the Citicorp [Base Rate][LIBO Rate]].

(iii) The date of the [conversion][continuation] of the Notice Investments is \_\_\_\_\_ 20\_\_.

In connection herewith, the Seller hereby certifies that no event has occurred and is continuing, or would result from the [conversion][continuation] that is the subject of this Notice, which constitutes an Event of Termination or a Potential Event of Termination.

Very truly yours,

**POLYONE FUNDING CANADA CORPORATION**, as Seller

By: \_\_\_\_\_

Name:

Title:

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**FORM OF  
OPINION OF GOWLING LAFLEUR HENDERSON LLP**

See attached.

**TO THE PERSONS  
NAMED IN ANNEX A  
ATTACHED HERETO**

**Re: POLYONE FUNDING CANADA CORPORATION - SALE OF RECEIVABLES TO BANK SYNDICATE**

Dear Sirs:

We refer to a receivables sale agreement between PolyOne Canada Inc. (“PC I”) and PolyOne Funding Canada Corporation (PFCC”) dated as of • (the “RSA”), a receivable purchase agreement among PFCC as the Seller (“Seller, PolyOne Corporation, as Servicer, the banks and the financial institutions party thereto (the “Buyers”), Citicorp USA, Inc., as Agent and National City Business Credit, Inc., as Agent dated as of • (the “RPA”) and to an assignment of purchased assets dated as of • (the “Quebec Assignment”) between the Seller and the RPA Purchasers providing for the sale and transfer by the Seller to the RPA Purchasers of all of the property and assets described therein.

All capitalized terms used by not defined in this opinion have the meanings ascribed set forth in the RPA. This opinion is delivered pursuant to Section 3.01 • of the RPA.

We have acted as counsel for the Seller in the Province of Quebec in connection with the sale and transfer pursuant to the Quebec Assignment to the Buyers of the Purchased Property (the Quebec Purchased Property”).

We have considered such questions of law and have made such investigations and searches as we have considered necessary or desirable for the purpose of this opinion and, subject to the qualifications and assumptions set forth below, we are of the opinion that:

- 1 The form and content of the Quebec Assignment is sufficient to transfer to the Buyers all of the Seller’s right, title and interest in, to and under the Quebec Purchased Property.
  - 2 We have conducted or caused to be conducted searches against the Seller and its assets under the names listed in Schedule A hereto in the register of personal and
-

moveable real rights (the “RPMRR”) for the periods set out in Schedule A hereto. Such register is the only register in the Province of Quebec where transfers of, or security interests in, assets similar in nature to the Quebec Purchased Property would ordinarily or customarily be the subject of a registration to preserve, perfect, set up and protect such transfers or security interests. Such searches disclosed only those registrations against the Seller as disclosed in Schedule A hereto.

3. Notice of the Quebec Assignment was duly registered as set forth in Schedule B hereto. No other registration, filing or recording is required now or in the future in any public office of record under the laws of the Province of Quebec in connection with the transfer to the Buyers of all of the Seller’s right, title and interest in, to and under, and the rights of the Buyers to collect payments under any of, the Quebec Purchased Property, or to protect the Buyers’ interests as transferee of the Quebec Purchased Property, which interests are and will be effective as against all third persons, including creditors of the Seller and subsequent purchasers of the Quebec Purchased Property. Except for the formalities in respect of account debtors prescribed by article 1642 of the *Civil Code of Quebec* with respect to the Quebec Assignment, no notice or further action is necessary at this time under the laws of Quebec in connection with the sale of the Quebec Purchased Property by the Seller to the Buyers pursuant to the Quebec Assignment and the rights of the Buyers to collect payments under any of the Quebec Purchased Property.
4. Other than the registration which has been made and which is described in paragraph 3, no recording filing or registration with, consent, authorization or approval of, or notice or other action to, with or by any governmental authority or regulatory body is or will be required in connection with the execution and delivery by the Seller of the Quebec Assignment and the performance of its obligations thereunder and the transfer of the Quebec Purchased Property under the Quebec Assignment does not require compliance with any bulk sales or similar legislation of the Province of Quebec.
5. The execution and delivery by the Seller of the Quebec Assignment and the performance by the Seller of its obligations thereunder do not (i) violate, result in a breach of, or constitute a default under (a) any order, judgment or decree of any court, arbitrator or similar tribunal or governmental authority of which we are aware and which is binding upon the Seller or its property or assets; or (b) any statute, regulation or other law of the Province of Quebec applicable to the Seller or the Quebec Purchased Property; or (ii) result in the creation of a hypothec or similar security interest that secures the payment or performance of an obligation of the Seller.
6. The Quebec Assignment constitutes a legal, valid and binding obligation of the Seller enforceable against it by the Buyer in accordance with its terms.

The opinions herein are subject to the following qualifications and assumptions:

- a) We assume that none of the Quebec Purchased Property are secured by a moveable hypothec (which includes the reservation of title or ownership).
- b) For the purposes of the opinion given in paragraph 5 (i), we have relied, as to the factual matters referred to therein, upon an officer's certificate of the Seller dated the date hereof relating to orders, judgments or decrees binding on the Seller or its property or assets.
- c) The opinions given in paragraphs 3 and 4 are subject to the qualification that subsequent purchasers of any part of the Quebec Purchased Property who purchases in good faith in the ordinary course of the vendor's business may acquire a right to be reimbursed the price he has paid in priority to the Buyer's interest therein.
- d) The opinions given in paragraphs 3 and 4 as to the registrations and notices are subject to the qualifications that although the registration of the Quebec Assignment avails to give the Buyer opposable, available against third persons, of all of the debts owing to the Seller and sold to the Buyer under the Quebec Assignment, such registration does not so avail as against Obligors as regards the debts paid to the Seller or otherwise discharged or extinguished before the accomplishment of the other formalities prescribed by article 1642 of the *Civil Code of Quebec*.
- e) The *Civil Code of Quebec*, and, where applicable, the *Consumer Protection Act* (Quebec) impose certain mandatory limitations upon the exercise by creditors of their rights upon default.
- f) Article 1643 of the *Civil Code of Quebec* provides that a payment made in good faith by a debtor to an apparent creditor will be opposable to the Buyer.
- g) The opinion given in paragraph 6 as to the enforceability of the RSA and the Quebec Assignment is subject to bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and the possible unavailability of specific performance or injunctive relief.

The opinions expressed herein are limited to the laws of the Province of Quebec and federal laws of Canada applicable therein. Such opinions are provided only to the addressees and to assignees of any such addressees for their own purposes and may not be relied upon by anyone else except as may be authorized in writing by the undersigned.

Yours very truly,



**ANNEX A**

SCHEDULE A

We have conducted or caused to be conducted searches against PolyOne Canada Inc. and its predecessor names described below and their assets in the registers and for the periods set out below to determine the existence of any liens in its assets, other than in immovable property, to which the laws of Quebec apply.

The rules respecting the implementation of the *Civil Code of Quebec* provide that moveable security registered prior to January 1, 1994 must have been renewed prior to December 31, 1994 in order for the security to continue to be opposable to third parties and to maintain its rank held under the previous legislation.

We have restricted our examination to the register of personal and moveable real rights for the period from January 1, 1994 to the dates mentioned below.

**NAMES SEARCHED:**

**B.F. GOODRICH CANADA INC.  
DIAMOND SHAMROCK CANADA LTD.  
DIAMOND SHAMROCK CHEMICALS CANADA INC.  
DIAMOND SHAMROCK ALBERTA GAS LTD.  
PVC PLASTICS OF CANADA LTD.  
NATOMAS OF CANADA LTD.  
NATOMAS DU CANADA LTEE  
GEON CANADA INC.  
150730 CANADA INC.  
YNERGISTICS INDUSTRIES LIMITED  
LES INDUSTRIES SYNERGISTICS LIMITEE  
POLYONE CANADA INC.  
POLYONE DISTRIBUTION CANADA, INC.  
DISTRIBUTION POLYONE CANADA, INC.**

**REPORT:**

Register of personal and moveable real rights:

A. Transitional Provisions (conducted as of January 3, 1995):

B. Other entries (conducted as of -):

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SCHEDULE B

REGISTER OF PERSONAL AND MOVEABLE REAL RIGHTS

DATE

REGISTRATION NUMBER

---

**LOCK-BOX BANKS AND  
LOCK-BOX ACCOUNTS**

<u>Lock-Box Bank</u>	<u>Lock-Box No.</u>	<u>Lock-Box Account No.</u>	<u>Owner</u>
Bank of Montreal	T57659C	1441104	PolyOne Canada Inc.
Bank of Montreal	T57659U	4672652	PolyOne Canada Inc.

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**CREDIT AND COLLECTION POLICY****Purpose and Scope**

The Company conducts its operations through dedicated business units and organizational teams. The purpose of this policy is to establish the essential Company-wide requirements relating to the management of "credit" risk. The scope of this policy covers all receivables for each business unit.

**Overall Policy**

Unless otherwise approved, the Company will only extend credit as part of conducting normal business operations. Credit will be provided based on an assessment of an individual customer's (or other third party's) ability to pay within terms common (competitive) to the business market segment. Each business will manage its credit risk by (a) assessing the risk exposure of its credit portfolio and (b) assessing activities to realize prompt payment collection.

**Responsibility and Authority**

The Corporate Chief Financial Officer (CFO) is responsible for establishing policy guidelines consistent with PolyOne Corporation's target capital structure. The guidelines will cover setting credit limits and exceptions thereto, for term extensions and credit worthiness, and determining the appropriate risk exposure of a business' overall credit portfolio.

The CFO is responsible for this policy and revisions, which may be required from time to time. The CFO will approve any exceptions to this policy.

It is the responsibility of the business General Manager, delegating through the business management team (specifically including the business controller and credit manager), to develop and implement all business unit policies, guidelines and/or procedures necessary to effectively manage the business unit's day-to-day credit risk and to adhere to this Company-wide policy. The business General Manager is delegated the authority to have credit authorized consistent with this policy.

**Actions Requiring the Approval of the CFO**

- Business programs, which in their aggregate extend overall credit levels beyond established risk exposure guidelines
  - Expansion by more than 10% of previously approved programs
  - Employee credit other than for relocation and/or nominal amounts not to exceed \$500 outstanding per individual (should be discouraged)
  - Any credit to Company Officers
-

## **Guidelines**

The successful implementation of this policy is partially dependent on establishing specific control and reporting activities that each business unit's operations are expected to incorporate. Below are specific activities which each business unit will perform in supporting the (a) assessment of its credit portfolio risk, (b) prompt collection of outstanding credit and (c) reporting to Corporate Services (CFO, Treasurer and Corporate Controller).

### Assessing portfolio credit risk

- Assess the credit risk on an individual account basis
- New shipments will only be made within established guidelines
- Continuous and periodical assessments of the overall risk profile of the credit portfolio considering industry conditions credit terms/programs, specific account condition with appropriate actions implemented.

### Prompt Payment

- Delinquent accounts will be contacted in a timely manner and communications of such delinquency will be made to business management and to the sales organization
- Customer accounts will be kept clean, i.e., credit and debit adjustments issued timely, cash applied to invoices, etc.

### Reporting to Corporate Services

- In the monthly financial reporting package include key performance measures relating to receivable DSO, aging, dating, etc. The business unit DSO will be shown for domestic, foreign and total and calculated on a Company-wide basis
- Quarterly provide a brief communication on the business unit's credit risk portfolio profile and highlight substantive changes
- Annually review any programs which extend credit beyond normal product sale terms

In addition to the above activities it is important that each business unit establish an environment consistent with managing its credit risk. Important areas to consider and which may impact such an environment include the following:

- Scope of account responsibility given to sales personnel
- Sales personnel basis of incentive compensation
- Customer incentives for prompt payment
- Level of communications between sales and credit personnel
- Use of performance measures and establishing goals

Also, it is the responsibility of each business unit to quickly communicate to other PolyOne business units, as appropriate, problem accounts or potential bad credit risks.

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**JURISDICTION OF INCORPORATION,  
ORGANIZATION IDENTIFICATION NUMBER AND  
LOCATION OF THE SELLER'S PRINCIPAL PLACE OF BUSINESS,  
CHIEF EXECUTIVE OFFICE AND OFFICE WHERE  
RECORDS ARE KEPT**

**PolyOne Funding Canada Corporation**

**Jurisdiction of Incorporation**

Ontario, Canada.

**Organization Identification Number**

679892-6.

**Principal Place of Business, Chief Executive Office and Office Where Records Are Kept**

PolyOne Funding Canada Corporation  
940 Chippawa Creek Road  
P.O. Box 1026  
Niagara Falls, Ontario, Canada L2E 6V9

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FORMS OF INVOICES

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**TRADEMARK OR OTHER NAMES FOR SELLER**

None.

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**PPSA FILING JURISDICTIONS**

<u>Filing Entity</u>	<u>Jurisdiction(s)</u>
PolyOne Canada Inc.	Ontario
PolyOne Funding Canada Corporation	Ontario

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**SCHEDULE VII**

## Exhibit VII — Allocations

<u>Organization</u>	<u>US Alloc.</u>	<u>CA Alloc.</u>	<u>Total Alloc.</u>
Citigroup	\$ 35.0	5.0	\$ 40.0
National City	35.0	5.0	40.0
BOA	21.1	3.9	25.0
Merrill Lynch	22.6	3.9	26.5
CIT Group	16.7	2.3	19.0
PNC	16.6	1.9	18.5
US Bank	14.5	1.5	16.0
Webster	13.5	1.5	15.0
	<u>\$ 175.0</u>	<u>\$ 25.0</u>	<u>\$ 200.0</u>

**CANADIAN  
RECEIVABLES SALE AGREEMENT**

**Dated as of July 13, 2007**

**among**

**POLYONE CANADA INC.**

**as the Seller,**

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**and**

**POLYONE FUNDING CANADA CORPORATION**

**as the Buyer**

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**and**

**POLYONE CORPORATION**

**as the Buyer's Servicer**

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**EXHIBITS**

EXHIBIT A	Form of Receivables Activity Report
EXHIBIT B	Form of Canadian Subordinated Note
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**SCHEDULES**

SCHEDULE I	Lock-Box Banks and Lock-Box Accounts
SCHEDULE II	Description of Credit and Collection Policy
SCHEDULE III	Forms of Invoices
SCHEDULE IV	Jurisdiction of Incorporation, Organizational Identification Number, and Location of Principal Place of Business, Chief Executive Office and Office Where Records are Kept
SCHEDULE V	Trade or other names for Seller

## CANADIAN RECEIVABLES SALE AGREEMENT

CANADIAN RECEIVABLES SALE AGREEMENT dated as of July 13, 2007 (this "Agreement") among POLYONE CANADA INC., a corporation organized under the laws of Canada (the "Seller"), POLYONE FUNDING CANADA CORPORATION, a Canadian corporation (the "Buyer"), and POLYONE CORPORATION, an Ohio corporation ("PolyOne"), as the Buyer's Servicer.

### PRELIMINARY STATEMENTS:

(1) The Seller in the ordinary course of business generates, and will generate from time to time, Receivables (as defined in the Canadian Receivables Purchase Agreement, as defined below) from time to time owing to it.

(2) The Seller wishes to sell to the Buyer from time to time hereunder all present and future Receivables (each such Receivable being a "Seller Receivable"), together with the Related Security and Collections (as hereinafter defined) with respect thereto.

(3) The Buyer may, from time to time hereafter, sell interests to the Purchasers (as defined in the Canadian Receivables Purchase Agreement referred to below), in each of the present and future Seller Receivables, together with the Related Security and Collections with respect thereto, pursuant to the Canadian Receivables Purchase Agreement dated as of July 13, 2007 (as the same may from time to time be amended, restated, supplemented or otherwise modified from time to time, the "Canadian Receivables Purchase Agreement") among the Buyer, PolyOne, as Servicer thereunder, the Purchasers (as defined below), Citicorp USA, Inc. ("Citicorp"), as administrative agent (the "Agent") for the Purchasers and any other owners thereunder and National City Business Credit, Inc., as the syndication agent (the "Syndication Agent").

NOW, THEREFORE, in consideration of the premises, the parties hereto agree as follows:

### ARTICLE I

#### DEFINITIONS

##### SECTION 1.01. Certain Defined Terms.

Terms defined in the Canadian Receivables Purchase Agreement and not otherwise defined herein are used in this Agreement as defined in the Canadian Receivables Purchase Agreement. In addition, as used in this Agreement and unless otherwise stated herein, 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" has the meaning specified in Preliminary Statement (3).

"Buyer's Servicer" has the meaning specified in Section 5.01.

"Buyer's Servicer Fee" has the meaning specified in Section 2.05.

"Canadian Dollar Receivables" means any Seller Receivable in Canadian Dollars.

"Canadian Dollars" means the lawful currency of Canada.

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“Canadian Insolvency Statutes” means collectively, the Companies’ Creditors Arrangement Act (Canada), the Bankruptcy and Insolvency Act (Canada), the Assignments and Preferences Act (Ontario) and the Fraudulent Conveyances Act (Ontario).

“Canadian Receivables Purchase Agreement” has the meaning specified in Preliminary Statement (3).

“Canadian Subordinated Note” means each subordinated promissory note, in substantially the form of Exhibit B hereto, executed by the Buyer to the order of the Seller.

“Citicorp” has the meaning specified in Preliminary Statement (3).

“Collections” means, with respect to any Seller Receivable, all cash collections and other cash proceeds of such Seller Receivable, including, without limitation, (i) all cash proceeds of the Related Security with respect to such Seller Receivable and (ii) any Collections of such Seller Receivable deemed to have been received, and actually paid, pursuant to Section 2.03.

“Contract” means an agreement between the Seller and an Obligor, in any written form acceptable to the Seller, or in the case of any open account agreement as evidenced by one of the forms of invoices set forth in Schedule III hereto or otherwise approved by the Agent from time to time (which approval shall not be unreasonably withheld), pursuant to or under which such Obligor shall be obligated to pay for goods from time to time.

“Credit and Collection Policy” means those credit and collection policies and practices in effect on the date hereof relating to Contracts and Receivables and described in Schedule II hereto, as modified from time to time in compliance with Section 4.02(c).

“Indemnified Amounts” has the meaning specified in Section 6.01.

“Indemnified Party” means any or all of the Buyer, the Purchasers and the other Owners under the Canadian Receivables Purchase Agreement, the Agent and their respective Affiliates and successors and assigns.

“Initial Purchase Price” has the meaning specified in Section 2.02(a).

“Material Adverse Change” means a material adverse change in any of (a) the condition (financial or otherwise), business, performance, prospects, operations, contingent liabilities, material obligations, or properties of the Seller or the Buyer, (b) the collectibility of the Seller Receivables, or the ability of the Buyer’s Servicer (if PolyOne or any of its Affiliates) to collect Seller Receivables, (c) the legality, validity or enforceability of any Transaction Document, (d) the ability of the Seller to perform its obligations under the Transaction Documents or the Contracts or (e) the rights and remedies of the Buyer, the Agent or the Purchasers under the Transaction Documents.

“Material Adverse Effect” means an effect that results in or causes, or could reasonably be expected to result in or cause, a Material Adverse Change.

“Obligor” means any Person obligated to make payments pursuant to a Contract.

“Other Taxes” has the meaning specified in Section 7.04(b).



“PPSA” means the *Personal Property Security Act* (Ontario), as amended from time to time, and any regulations promulgated thereunder.

“Privacy Laws” has the meaning specified in Section 3.01(b).

“Program” means the receivables program established pursuant to this Agreement and the Canadian Receivables Purchase Agreement.

“Purchase Price” has the meaning specified in Section 2.02(b).

“Purchasers” means the Initial Purchasers and each Assignee that shall become a party to the Canadian Receivables Purchase Agreement pursuant to Section 9.01 thereof.

“Quebec Assignment” means an assignment of Receivables from the Seller to the Buyer, substantially in the form of Exhibit C hereto.

“Receivable Assets” has the meaning specified in Section 2.01(a).

“Receivables Activity Report” means a report prepared by the Buyer’s Servicer, pursuant to Section 2.03(c), in substantially the form attached hereto as Exhibit A.

“Related Security” means with respect to any Receivable:

- (i) all of the Seller’s right, title and interest in, under and to all security agreements or other agreements that relate to such Receivable;
- (ii) all of the Seller’s interest in the goods (including returned goods), if any, relating to the sale which gave rise to such Receivable;
- (iii) 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 and other applicable filings signed or authenticated by an Obligor describing any collateral securing such Receivable;
- (iv) all rights in respect of lock-boxes and accounts to which Collections are sent or deposited, and all funds and investments therein;
- (v) all letter of credit rights, guaranties, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivables whether pursuant to the Contract related to such Receivable or otherwise; and
- (vi) all Records relating to such Receivable.

“Seller Receivable” has the meaning specified in Preliminary Statement (2).

“Solvent” means, with respect to any Person on a particular date, that on such date (a) 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, (b) 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, (c) 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 (d) 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.

"Syndication Agent" has the meaning specified in Preliminary Statement (3).

"Termination Date" means the Termination Date under and as defined in the Canadian Receivables Purchase Agreement.

"Transaction Documents" means this Agreement, the Canadian Receivables Purchase Agreement, the Canadian Subordinated Notes, the Lock-Box Agreements, the Second Amended and Restated Parent Undertaking, the Canadian Consent and Agreement, the Second Amended and Restated Fee Letter and the Quebec Assignment.

"Transfer" means sell, assign, convey, set-over and transfer, or, depending upon the context, sale, assignment, conveyance, set-over and transfer, and "Transferred" shall be interpreted accordingly.

#### SECTION 1.02. Other Terms.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in the PPSA and not specifically defined herein are used herein as defined in the PPSA. Any reference to a dollar amount herein, shall be a reference to such amount in U.S. Dollars, unless otherwise expressly stated. For the purposes of Receivables payable in the Province of Quebec or where the Obligor is located in the Province of Quebec (i.e. as determined by reference to the mailing address of the invoices), all present and future such Receivables up to the Termination Date are, for greater certainty and without limiting anything else contained herein, sold and assigned on the date hereof as contemplated in Section 2.01(a) hereof, notwithstanding that title to any particular such Receivable may be Transferred and the Purchase Price therefor paid on some later date and notwithstanding any reference herein (including in Section 2.02(b) hereof) to a purchase thereof on any date other than the date hereof. Without limiting the foregoing or Section 2.01(a) hereof, as further evidence of the sale by the Seller to the Buyer of all Seller Receivables existing on the date hereof and all Seller Receivables hereafter created from time to time until the Termination Date, the Seller shall, on the date hereof, deliver to the Buyer the Quebec Assignment.

#### 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 each of the words "to" and "until" means "to but excluding".

**ARTICLE II**  
**SALE OF SELLER RECEIVABLES**

**SECTION 2.01. Sale of Seller Receivables.**

(a) The Seller hereby Transfers, without recourse (except as expressly provided herein), to the Buyer, on the terms and subject to the conditions specifically set forth herein, on a servicing included basis (as provided in Section 5.01 hereof), all of the Seller's right, title and interest in, to and under all Seller Receivables existing on the date hereof and hereafter created from time to time until the Termination Date, all Related Security and Collections with respect thereto and all proceeds of the foregoing, together with all of the Seller's rights, remedies, powers and privileges with respect to the Seller Receivables (collectively, the "Receivable Assets").

(b) The parties to this Agreement intend that the transactions contemplated hereby shall be, and shall be created as, a purchase by the Buyer and a sale by the Seller of Receivable Assets and not as a lending transaction. The foregoing Transfers do not constitute and are not intended to result in a creation or assumption by the Buyer of any obligation or liability with respect to any Seller Receivable or Contract, nor shall the Buyer be obligated to perform or otherwise be responsible for any obligation of the Seller or any other Person in connection with any Receivable Assets or under any agreement or instrument relating thereto.

(c) In connection with the foregoing Transfers, the Seller agrees to record and file, at its own expense, proper financing statements or other applicable filings (and proper continuation or comparable statements with respect to such financing statements or other filings when applicable) with respect to the Receivable Assets now and hereafter from time to time acquired by the Buyer under this Agreement, in such manner and in such jurisdictions as are necessary to perfect the Transfers of the Receivable Assets to the Buyer hereunder, and to deliver copies of such financing statements or other applicable filings to the Buyer and the Agent on or prior to the initial Purchase under the Canadian Receivables Purchase Agreement. Such financing statements or other applicable filings shall name the Seller as debtor/seller and the Buyer as secured party/buyer.

**SECTION 2.02. Terms of Sales.**

(a) As consideration for such Transfer of Receivable Assets on the date hereof, the Buyer shall pay (or cause to be paid) to the Seller on such date an amount (the "Initial Purchase Price") agreed upon prior to such date, between the Seller and the Buyer; provided, that the Initial Purchase Price subsequently may be reduced, on a basis to be agreed upon between the Seller and the Buyer, and such reduction reimbursed by the Seller to the Buyer in accordance with Section 2.03(b), for any Receivable which, consistent with the Credit and Collection Policy, is written off the Buyer's or the Seller's books as uncollectible following the date of its purchase. The amount of the Initial Purchase Price, taking into account any such reduction mechanism, shall be reasonably equivalent and fair market value for such Receivable Assets as of such date. On the date hereof, the Buyer shall pay to the Seller as part of the total Initial Purchase Price the total amount which the Purchasers shall pay to the Buyer in Capital on such date under the Canadian Receivables Purchase Agreement.

(b) On each Business Day after the date hereof until the Termination Date, the Buyer shall accept from the Seller, and the Seller shall Transfer to the Buyer, all of the Seller's right, title and interest in, to and under those Receivable Assets that are created on such Business Day. As consideration for such continuing Transfer of Receivable Assets after the date hereof, the Buyer shall pay (or cause to

be paid) to the Seller an amount (the "Purchase Price") agreed upon prior to the date of such Transfer; provided, that the Purchase Price subsequently may be reduced, on a basis to be agreed upon between the Seller and the Buyer, and such reduction reimbursed by the Seller to the Buyer in accordance with Section 2.03(b), for any Receivable which, consistent with the Credit and Collection Policy, is written off the Buyer's or the Seller's books as uncollectible following the date of its purchase. The amount of the Purchase Price for each such date, taking into account any such reduction mechanism, shall be reasonably equivalent and fair market value for such Receivable Assets as of such date.

(c) The Purchase Price other than the Initial Purchase Price, and the balance, if any, of the Initial Purchase Price to be so paid by the Buyer on the date hereof, in accordance with the last sentence of subsection (a) of this Section 2.02, shall be paid in cash to the Seller in U.S. Dollars or, with respect to Canadian Dollar Receivables, in Canadian Dollars, in same day funds on or before the next occurring Yield Payment Date or the date hereof.

(d) In addition to the method of payment specified in subsection (c) of this Section 2.02, the Purchase Price or Initial Purchase Price may be paid in any of the following ways:

(i) upon the agreement of the Seller and the Buyer, by means of indebtedness owed by the Buyer to the Seller evidenced by, and payable with interest pursuant to, one or more Canadian Subordinated Notes payable to the order of the Seller; or

(ii) upon the agreement of the Seller and the Buyer, in consideration for shares of the Buyer or by means of capital contributed by the Seller to the Buyer in the form of Receivable Assets Transferred during such Yield Period or on the date hereof, as the case may be, and in such case, the Purchase Price, or such balance of the Initial Purchase Price, as the case may be, shall be considered paid in full by reflecting such contribution as an addition to surplus of the Buyer at an appropriate value; or

(iii) a combination of any of the payment methods set forth above or in subsection (c) of this Section 2.02.

#### SECTION 2.03. General Settlement Procedures.

(a) If on any day the Outstanding Balance of a Seller Receivable is either (i) reduced as a result of any defective, rejected or returned goods or services, any discount, or any adjustment by the Seller or (ii) reduced or canceled as a result of a setoff in respect of any claim by the Obligor thereof against the Seller or any Affiliate thereof other than the Buyer (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 and shall make the payment required to be made by it in connection with such Collection on the day required by, and otherwise pursuant to, Section 4.01(i). If on any day any of the representations or warranties in Section 3.01(f) is no longer true with respect to any Seller Receivable, the Seller shall be deemed to have received on such day a Collection in full of such Seller Receivable and shall make the payment required to be made by it in connection with such Collection on the day required by, and otherwise pursuant to, Section 4.01(i). Except as stated in the preceding sentences of this Section 2.03 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. If at any time any Obligor is required to pay interest or finance charges in connection with any Receivable or the related Contract, then all payments made by such Obligor in connection with such Receivable shall, unless otherwise expressly provided for in the applicable Contract, be applied on

account of the Outstanding Balance of such Receivable and not on account of such interest or finance charges, until such time as the Outstanding Balance thereof has been fully repaid.

(b) If the amount of the Initial Purchase Price is reduced in accordance with Section 2.02(a), or the amount of the Purchase Price for any date is reduced in accordance with Section 2.02(b), the Seller shall promptly reimburse the Buyer for the amount of such reduction, provided that the Seller's obligation to reimburse such amount may be set-off against any amount then owing under any Canadian Subordinated Note, in which case the amount so owing by the Buyer under that Canadian Subordinated Note shall be reduced accordingly.

(c) The Buyer's Servicer shall immediately advise the Buyer and the Agent of each Liquidation Day.

(d) At least two Business Days before each Yield Payment Date, the Buyer's Servicer shall prepare and forward to the Buyer and the Agent a Receivables Activity Report of the Buyer's Servicer, as of the close of business of the Buyer's Servicer on the last day of the immediately preceding Yield Period, setting forth the calculation of the actual Purchase Price for each Receivable Asset Transferred during such Yield Period, and the reconciliation of how the Purchase Price has been paid reflecting the cash paid by the Buyer to the Seller during such Yield Period, the adjustments to and current balance, if any, due from the Buyer to the Seller under any Canadian Subordinated Note, and the amount of additional cash, if any, to be paid by the Buyer to the Seller on such Yield Payment Date.

#### SECTION 2.04. Payments and Computations, Etc.

(a) All amounts to be paid or deposited by the Seller or the Buyer's Servicer 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 U.S. Dollars, or with respect to Canadian Dollar Receivables in Canadian Dollars, in same day funds to the Buyer as directed by the Buyer to the Seller or the Buyer's Servicer in writing. The Seller shall, to the extent permitted by law, pay to the Buyer interest on all amounts not paid or deposited when due hereunder (except for those amounts with respect to which Yield accrues) at 2.00% per annum above the Alternate Base Rate in effect from time to time, payable on demand; provided, however, that such interest rate shall not at any time exceed the maximum rate permitted by applicable law.

(b) All computations of interest 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.

(c) For purposes of the *Interest Act* (Canada), where in this Agreement a rate of interest is to be calculated on the basis of a period of less than one year, the yearly rate of interest to which the said rate is equivalent is the said rate divided by the actual number of days in the period for which such calculation is made and multiplied by 365 days (or 366 days in the case of a leap year).

(d) The Seller hereby irrevocably and unconditionally waives and relinquishes to the fullest extent it may legally do so (i) any express or implied vendor's lien, and any other lien, security interest, charge or encumbrance, which would otherwise be imposed on or affect any Seller Receivables or any Receivable Asset on account of any unpaid amount of the Initial Purchase Price or any Purchase Price therefor or on account of any other unpaid amounts otherwise payable by the Buyer under or in connection with this Agreement or any Canadian Subordinated Note payable to the order of the Seller or otherwise and (ii) with respect to the obligations of the Seller to make payments or deposits under this Agreement (including, without limitation, payments under Sections 2.03 and 6.01), any setoff, counterclaim, recoupment, defense and other right or claim which the Seller may have against the Buyer

as a result of or arising out of the failure of the Buyer to pay any amount on account of the Initial Purchase Price or any Purchase Price under Sections 2.01 and 2.02 or any other amount payable by the Buyer to the Seller under this Agreement or any Canadian Subordinated Note or otherwise.

**SECTION 2.05. Buyer's Servicer Fee.**

So long as PolyOne or any Affiliate thereof is the Buyer's Servicer, the Buyer's Servicer shall not be entitled to any compensation for the performance of its services hereunder or any reimbursement for any cost or expenses incurred by it as the Buyer's Servicer, it being acknowledged and agreed by PolyOne and the Seller that any amounts owing to PolyOne or any such Affiliate in consideration for such services shall be the responsibility of and paid by the Seller. The Seller acknowledges that the consideration received by it for the sale of the Seller Receivables hereunder includes full compensation for its payment of any such amounts owing to the Buyer's Servicer. At any time that the Buyer's Servicer is not PolyOne or an Affiliate thereof, the Buyer shall pay to the Buyer's Servicer a servicing fee (the "Buyer's Servicer Fee") until the Termination Date, payable on each Yield Payment Date, in an amount equal to the amount payable to the Servicer under the Canadian Receivables Purchase Agreement or such other amount calculated on an arm's-length basis for services performed as a subcontractor on terms common to servicing arrangements in comparable asset sale transactions; provided, however, that the Buyer shall be given a credit against the Buyer's Servicer Fee payable under this Agreement equal to the full amount of the Servicer Fee paid under the Canadian Receivables Purchase Agreement.

**SECTION 2.06. Non-Assignable Contracts.** To the extent that any consent or acknowledgement of a third Person (including any Governmental Authority) is required for the effective sale of a Receivable or related Receivables Assets to the Buyer and such consent or acknowledgement is not obtained by the Seller, or until said consent or acknowledgement is obtained, the Seller shall (at its sole cost and expense), from and after the date hereof:

(a) hold the benefits of such Receivable or related Receivables Assets (including any payments thereunder) in trust for the Buyer in accordance with the provisions of this Section 2.06, such benefits to accrue fully to the benefit of the Buyer; and

(b) in order that the full value of such Receivable or other Receivables Assets may be realized for the benefit of the Buyer, take, at the request and under the direction of the Buyer, in the name of the Seller or otherwise as the Buyer may specify, all such actions and do or cause to be done all such things as are, in the opinion of the Buyer, necessary or proper in order that the value of such Receivable or other Receivables Assets is preserved and to ensure that the Buyer (or its assigns) is recognized as having the exclusive beneficial interest in such Receivables or other Receivables Assets.

**ARTICLE III**

**REPRESENTATIONS AND WARRANTIES**

**SECTION 3.01. Representations and Warranties of The Seller.**

The Seller represents and warrants, as of the date hereof and the date of each Transfer of Seller Receivables hereunder, before and after giving effect to such Transfer, as though made on and as of such date, other than any such representations and warranties that, by their terms, refer to a specific date other than the date of said Transfer, in which case, as of such date, as follows:

(a) The Seller is a corporation duly incorporated, validly existing and in good standing or its equivalent under the laws of its jurisdiction of incorporation indicated at the beginning of this Agreement, and is duly qualified to do business, and is in good standing or its equivalent, in every jurisdiction where the nature of its business requires it to be so qualified, except to the extent that any failure to be so qualified or in good standing as a foreign entity could not reasonably be expected to have a Material Adverse Effect, and is a resident of Canada for the purposes of the *Income Tax Act* (Canada).

(b) The execution, delivery and performance by the Seller of the Transaction Documents to which it is a party and the other documents to be delivered by it thereunder, and the transactions contemplated hereby and thereby, including the Seller's use of the proceeds of the Transfers of Receivable Assets hereunder, are within the Seller's corporate powers, have been duly authorized by all necessary corporate action, do not (i) contravene the Seller's charter, articles, by-laws or code of regulations, (ii) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, including for greater certainty the *Personal Information Protection and Electronic Documents Act* (Canada) or any other applicable privacy laws (collectively, "Privacy Laws"), or (iii) breach or result in a default under, or result in the acceleration of (or entitle any party to accelerate) the maturity of any obligation of the Seller under, or result in or require the creation of any lien upon or security interest in any property of the Seller pursuant to the terms of, any Contract or any other agreement or instrument (other than any Transaction Document) binding on or affecting the Seller or any of its properties.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Seller of any Transaction Document to which it is a party or any other agreement or document to be delivered thereunder, or for the perfection of or the exercise by any Indemnified Party of its rights and remedies under such Transaction Document and such other agreements or documents, except for the filings of the financing statements or other applicable filings referred to in Section 2.01(c) and in Article III of the Canadian Receivables Purchase Agreement.

(d) This Agreement has been, and each other Transaction Document to which the Seller is a party when delivered will have been, duly executed and delivered by the Seller. This Agreement is, and the other Transaction Documents to which the Seller is or will be a party when delivered hereunder will be, the legal, valid and binding obligations of the Seller enforceable against the Seller in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and to general equitable principles.

(e) There is no action, suit, investigation, litigation or proceeding pending or, to the knowledge of the Seller, threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to result in a Material Adverse Change or (ii) restrains, prevents or imposes or can reasonably be expected to impose materially adverse conditions upon the Transaction Documents or the transactions contemplated thereby.

(f) Immediately prior to each Transfer by the Seller of any Receivable Assets hereunder, the Seller is the legal and beneficial owner of such Receivable Assets, free and clear of any Adverse Claim. Upon each Transfer by the Seller of each Receivable Asset hereunder, the Buyer shall have a valid and perfected first priority undivided 100% ownership interest in such Receivable Asset free and clear of any Adverse Claim except as created by this Agreement and the Canadian Receivables Purchase Agreement. No effective financing statement or other filing or instrument similarly in effect covering any Contract or any Receivable Assets is on file in any recording office, except those filed in favor of the Buyer and the Agent relating to this Agreement or in favor of the Agent and relating to the Canadian Receivables Purchase Agreement.

(g) No proceeds of any Transfer by the Seller of any Seller Receivable hereunder will be used to acquire any security in any transaction which is subject to Sections 13 and 14 of the Securities Exchange Act of 1934, as amended.

(h) No proceeds of any Transfer by the Seller of any Seller Receivable hereunder will be used to purchase or carry any "margin stock" (as defined or used in the regulations of the Board of Governors of the Federal Reserve System) in contravention of the requirements of Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time. The Buyer is not engaged in the business of extending credit for the purpose of purchasing or carrying any margin stock.

(i) Each Receivables Activity Report, Seller Report and Receivables Report (if prepared by the Seller or one of its Affiliates, or to the extent that information contained therein is supplied by the Seller or any Affiliate thereof), information, exhibit, financial statement, or other report or document furnished or to be furnished at any time by or on behalf of the Seller to the Buyer or the Agent or any Owner in connection with this Agreement or the Canadian Receivables Purchase Agreement is or will be accurate in all material respects as of its date or as of the date so furnished, and no such report or document contains, or will contain, as of its date of delivery or the date so furnished, any untrue statement of a material fact or omits to state, or will omit to state, as of its date of delivery or the date so furnished, a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(j) The jurisdiction of incorporation, organizational identification number (if any), and the address(es) of the principal place of business and chief executive office of the Seller and the office where the Seller keeps its Records concerning the Receivable Assets, are as set forth in Schedule IV hereto (or, by notice to the Buyer and the Agent in accordance with Section 4.01(e), at such other locations in jurisdictions, within the United States or Canada, where all actions required by Section 5.04(a) have been taken and completed).

(k) The names and addresses of all the Lock-Box Banks, together with the lock-box numbers related to, and the account numbers and owners (the Buyer or the Seller) of, the Lock-Box Accounts of the Seller at such Lock-Box Banks, are specified in Schedule I hereto (or such other Lock-Box Banks and/or such other Lock-Box Accounts as have been notified to the Buyer and the Agent in accordance with Section 4.02(d)).

(l) Except as set forth on Schedule V hereto, the Seller has not changed its name since November 17, 2000, and has no trade names, fictitious names, assumed names or "doing business as" names.

(m) The Purchase Price payable on each Yield Payment Date pursuant to Section 2.02(b) for the Seller's Receivable Assets created after such date constitutes fair consideration and approximates fair market value for such Receivable Assets, and the terms and conditions (including, without limitation, such Purchase Price therefor, and the terms of the Canadian Subordinated Notes, if applicable) of the Transfer of such Receivable Assets pursuant to Sections 2.01 and 2.02 reasonably approximate an arm's-length transaction between unaffiliated parties. No such Transfer has been made for or on account of an antecedent debt owed by the Seller to the Buyer and no such Transfer, at the time such Transfer is made, is or may be voidable or subject to avoidance under any section of the Canadian Insolvency Statutes or any other applicable bankruptcy laws.

(n) The Seller has filed, or caused to be filed or be included in, all tax reports and returns (federal, state, provincial, local and foreign), if any, required to be filed by it and paid, or caused



to be paid, all amounts of taxes, including interest and penalties, required to be paid by it, except for such taxes (i) as are being contested in good faith by proper proceedings and (ii) against which adequate reserves shall have been established in accordance with and to the extent required by GAAP, but only so long as the proceedings referred to in clause (i) above would not subject the Agent or any other Indemnified Party to any civil or criminal penalty or liability or involve any material risk of the loss, sale or forfeiture of any property, rights or interests covered hereunder or under the Canadian Receivables Purchase Agreement.

(o) The consolidated audited balance sheet of PolyOne and its subsidiaries as at December 31, 2006, and the related consolidated audited statements of income and retained earnings and of cash flows of PolyOne and its Subsidiaries for the fiscal year then ended, fairly present the consolidated financial condition of PolyOne and its Subsidiaries as at such date, and the consolidated results of the operations and cash flows of PolyOne and its Subsidiaries for the periods ended on such date, all in accordance with generally accepted accounting principles applied on a consistent basis.

(p) The Seller is in compliance in all material respects with the presently applicable provisions of the *Income Tax Act* (Canada) and any applicable pension legislation.

(q) The Seller has not sold, assigned, Transferred, pledged or hypothecated any interest in any Receivable Assets with respect thereto to any Person other than as contemplated by this Agreement or that has been released by the Agent from the Receivables Pool.

(r) The Seller has complied with the Credit and Collection Policy in all material respects and since the date of this Agreement there has been no change in the Credit and Collection Policy except as permitted hereunder.

(s) Since December 31, 2006, there has been no Material Adverse Change and there have been no events or developments that, in the aggregate, have had a Material Adverse Effect.

(t) The Seller has not extended or modified the terms of any Seller Receivable or the Contract under which any such Seller Receivable arose, except in accordance with the Credit and Collection Policy and in accordance with Section 6.02(b) of the Canadian Receivables Purchase Agreement.

(u) Except under the Lock-Box Agreements, the Seller has not granted any Person dominion or control of any Lock-Box Account, or the right to take dominion or control over any Lock-Box Account at a future time or upon the occurrence of a future event.

(v) The Seller is Solvent, and in particular, but without limitation: (i) it is not and will not be a bankrupt, an insolvent person, in insolvent circumstances or on the eve of insolvency or unable to meet its engagements, as applicable, within the meaning of any of the Insolvency Statutes; (ii) it will not become an insolvent person or be in insolvent circumstances within the meaning of any of the Insolvency Statutes by entering into, or immediately after completion of the transactions contemplated by, this Agreement; and (iii) it has entered into this Agreement and the documents contemplated hereby in good faith for the purpose of selling and transferring all of its right, title and interest in, to and under the Receivables Assets to the Buyer and receiving from the Buyer the consideration therefor specified herein, and not for the purpose of defeating, hindering, delaying, defrauding, oppressing, obstructing, injuring or impeding the rights and claims of creditors or others against it or for any other purpose relating in any way to the claims of creditors or others against it and not in contemplation of insolvency.

(w) The Seller is not (i) a party to any contractual obligation the compliance with one or more of which would have, in the aggregate, a Material Adverse Effect or the performance of which, either unconditionally or upon the happening of an event, would result in the creation of a Lien (other than a Lien created by, arising under or relating to this Agreement, the Canadian Receivables Purchase Agreement, or any other Transaction Document) on the assets of the Seller or (ii) subject to one or more charter or corporate restrictions that would, in the aggregate, have a Material Adverse Effect. The Seller is not in default under or with respect to any contractual obligation owed by it other than those defaults that, in the aggregate, would not have a Material Adverse Effect.

(x) No Event of Termination or Potential Event of Termination has occurred and is continuing.

(y) The Seller is not (a) an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended or (b) a "holding company" or an "affiliate" or a "subsidiary company" of a "holding company", as each such term is defined and used in the Public Utility Holding Company Act of 2005, enacted as part of the Energy Policy Act of 2005, Pub. L. No. 109-58 as codified at §§ 1261 *et seq.*, and the regulations adopted thereunder, as amended .

(z) The proceeds of the sale of the Receivable Assets under this Agreement will be used for general corporate purposes.

(aa) All policies of insurance of any kind or nature of the Seller, including policies of life, fire, theft, product liability, public liability, property damage, other casualty, employee fidelity, workers' compensation and employee health and welfare insurance, are in full force and effect and are of a nature and provide such coverage as is sufficient and as is customarily carried by businesses of the size and character of such Person. The Seller has not been refused insurance for any material coverage for which it had applied or had any policy of insurance terminated (other than at its request).

(bb) There are no strikes, work stoppages, slowdowns or lockouts pending or, to the Seller's knowledge, threatened against or involving the Seller, other than those that, in the aggregate, would not have a Material Adverse Effect. There are no unfair labor practices, grievances, complaints or arbitrations pending, or, to the Seller's knowledge, threatened, against or involving the Seller, other than those that, in the aggregate, would not have a Material Adverse Effect.

(cc) The operations of the Seller have been and are in compliance with all environmental laws, including obtaining and complying with all required environmental, health and safety permits, other than non-compliances that, in the aggregate, would not have a Material Adverse Effect. Neither the Seller nor any real property currently or, to the knowledge of the Seller, previously owned, operated or leased by or for the Seller is subject to any pending or, to the knowledge of the Seller, threatened, claim, order, agreement, notice of violation, notice of potential liability or is the subject of any pending or threatened proceeding or governmental investigation under or pursuant to any such laws, to the knowledge of the Seller, other than those that, in the aggregate, would not have a Material Adverse Effect.

(dd) The Seller owns or licenses or otherwise has the right to use all licenses, permits, patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, copyright applications, Internet domain names, franchises, authorizations and other intellectual property rights that are necessary for the operations of its business, without infringement upon or conflict with the rights of any other Person with respect thereto, including all trade names set forth on Schedule V hereto. To the Seller's knowledge, no license, permit, patent, patent application, trademark, trademark

application, service mark, trade name, copyright, copyright application, Internet domain name, franchise, authorization, other intellectual property right, slogan or other advertising device, product, process, method, substance, part or component, or other material now employed, or now contemplated to be employed, by the Seller infringes upon or conflicts with any rights owned by any other Person, and no claim or litigation regarding any of the foregoing is pending or, to the knowledge of the Seller, threatened.

#### ARTICLE IV

##### GENERAL COVENANTS OF THE SELLER

###### SECTION 4.01. Affirmative Covenants of The Seller.

Until the later of (i) the Termination Date and (ii) the date upon which no Capital Investment shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement and the Canadian Receivables Purchase Agreement, the Seller shall, unless the Buyer and the Agent (with the consent of the Required Purchasers) shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders with respect to it and all Receivable Assets and related Contracts, Related Security and Collections with respect thereto.

(b) Payment of Taxes, Etc. 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 the Seller shall not be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by appropriate proceedings and as to which appropriate reserves are being maintained.

(c) Maintenance of Insurance. 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 Seller operates with such deductibles or self-insured retentions as are in accordance with normal industry practice.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such qualification would materially adversely affect the interests of the Buyer, the Owners or the Agent hereunder, under the Canadian Receivables Purchase Agreement or in the Receivable Assets and Related Security, or the ability of the Seller or the Buyer's Servicer to perform their respective obligations hereunder, under the Canadian Receivables Purchase Agreement or under the Contracts; provided, however, that the Seller may consummate any amalgamation, merger or consolidation permitted under Section 4.02(i).

###### (e) Offices, Records and Books of Accounts.

(i) Keep its principal place of business and chief executive office and the offices where it keeps its Records concerning the Receivable Assets at the address of the Seller referred to in Section 3.01(j) or, upon at least thirty days' prior written notice to the Buyer and Agent, at any other location in a jurisdiction where all action required by Section 5.04(a) shall have been taken, and

(ii) maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Seller 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 Seller Receivables (including, without limitation, records adequate to permit the daily identification of each Seller Receivable, the Outstanding Balance of each Seller Receivable and the dates which payments are due thereon and all Collections of and adjustments to each existing Seller Receivable).

(f) Performance and Compliance with Contracts and Credit and Collection Policy. At its expense, timely and fully (i) perform, or cause to be performed, and comply in all material respects with, or cause to be complied with in all material respects, all provisions, covenants and other promises required to be observed by it under the Contracts related to the Seller Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy in regard to the Seller Receivables and the related Contracts and (ii) as beneficiary of any Related Security, enforce such Related Security as reasonably requested by the Agent.

(g) Examination of Records; Audits.

(i) From time to time upon two (2) Business Days' prior notice (except that during the continuance of an Event of Termination, no such notice shall be required) and during regular business hours as requested by the Buyer or the Agent and at the expense of the Seller, permit the Buyer or the Agent, or their respective agents or representatives, (A) to examine and make copies of and abstracts from all Records in the possession or under the control of the Seller, its Affiliates or the agents of the Seller or its Affiliates, relating to Pool Receivables and the Related Security, including, without limitation, the related Contracts, and (B) to visit the offices and properties of the Seller, its Affiliates or the agents of the Seller or its Affiliates, for the purpose of examining such materials described in clause (A) above, and to discuss matters relating to Pool Receivables and the Related Security or the Seller's performance hereunder or under the Contracts with any of the officers or employees of the Seller having knowledge of such matters.

(ii) At any time and from time to time, upon the Buyer's or the Agent's request and at the expense of the Seller, the Seller shall cause independent public or chartered accountants or others satisfactory to the Buyer and the Agent, to furnish to the Buyer and the Agent, reports showing reconciliations, aging and test verifications of, and trial balances for, the Seller Receivables and/or a written report of an audit conducted by such accountants with respect to the Seller Receivables, Credit and Collection Policy, Lock-Box Account activity and the Seller's performance of its obligations under this Agreement and the Canadian Receivables Purchase Agreement on a scope and in a form reasonably requested by the Buyer or the Agent, as the case may be, for such audit; provided, however, that unless an Event of Termination or Potential Event of Termination shall be continuing, the Buyer or the Agent shall request no more than one (1) such report during any calendar year.

(iii) The Seller shall conduct, or shall cause to be conducted, at its expense and upon request of the Buyer or the Agent, and present to the Buyer and the Agent for approval, such appraisals, investigations and reviews as the Buyer and the Agent shall request for the purpose of determining the Net Receivables Pool Balance, all upon notice and at such times during normal business hours and as often as may be reasonably requested. The Seller shall furnish to the Buyer and the Agent any information that the Buyer and the Agent may reasonably request regarding the determination and calculation of the Net Receivables Pool Balance including correct and complete copies of any invoices, underlying agreements, instruments or other documents and the identity of all Obligors in respect of Receivables referred to therein.

(h) Keeping of Records and Books of Account.

(i) Keep, or cause to be kept, proper books of record and account, which shall be maintained or caused to be maintained by the Seller and shall be separate and apart from those of any Affiliate of the Seller, in which full and correct entries shall be made of all financial transactions and the assets and business of the Seller in accordance with GAAP;

(ii) to the extent Records are in written form, segregate such Records in file cabinets or storage containers and appropriately label such file cabinets or storage containers to reflect that the Receivable Assets have been conveyed to the Buyer; and

(iii) to the extent such Records constitute computer programs and other non-written Records, appropriately legend such Records to reflect that the Receivable Assets have been conveyed to the Buyer.

(i) Deposits to Lock-Box Accounts. Not later than 60 days following the date hereof (or such later date to which the Agent shall consent in writing), instruct, or cause the Buyer's Servicer to instruct, all Obligors to make payments in respect of all Seller Receivables to a Lock-Box Account and, if at any time the Seller shall otherwise receive any Collections (including, without limitation, any Collections deemed to have been received by the Seller pursuant to Section 2.03), segregate and hold in trust such Collections and, if received prior thereto but at the time of or after the first Purchase under the Canadian Receivables Purchase Agreement, pay such Collections to the Agent within two (2) Business Days following such receipt;

(j) Reporting Requirements. Until the later of (x) the Termination Date and (y) the date upon which no Capital Investment shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement and the Canadian Receivables Purchase Agreement, the Seller will, unless the Buyer and the Agent (with the consent of the Required Purchasers) shall otherwise consent in writing, furnish to the Buyer and the Agent:

(i) Monthly Reports. Within 35 days after the end of each of the first 11 fiscal months in each Fiscal Year, financial information regarding PolyOne and its Subsidiaries consisting of Consolidated unaudited balance sheets as of the close of such month and the related statements of income and cash flow for such month and that portion of the current Fiscal Year ending as of the close of such month, in each case certified by the chief financial officer, treasurer or other Responsible Officer acceptable to the Agent of PolyOne as fairly presenting the Consolidated financial position of PolyOne and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated and recorded in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments) and in form reasonably acceptable to the Agent.

(ii) Annual Reports. Within 95 days after the end of each Fiscal Year, financial information regarding PolyOne and its Subsidiaries consisting of Consolidated balance sheets of PolyOne and its Subsidiaries as of the end of such year and related statements of income and cash flows of PolyOne and its Subsidiaries for such Fiscal Year, all prepared in conformity with GAAP and certified, in the case of such Consolidated financial statements, without qualification, including, without limitation, as to the scope of the audit or as to PolyOne being a going concern by PolyOne's independent public accountants, together with the report of such accounting firm stating that (A) such financial statements fairly present the Consolidated financial position of PolyOne and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in conformity with GAAP applied on a basis consistent with prior

years (except for changes with which PolyOne's independent public accountants shall concur and that shall have been disclosed in the notes to the financial statements) and (B) the examination by PolyOne's independent public accountants in connection with such Consolidated financial statements has been made in accordance with generally accepted auditing standards, and accompanied by a certificate stating that in the course of the regular audit of the business of PolyOne and its Subsidiaries such accounting firm has obtained no knowledge that a Potential Event of Termination or Event of Termination has occurred and is continuing, or, if in the opinion of such accounting firm, a Potential Event of Termination or Event of Termination has occurred and is continuing, a statement as to the nature thereof.

(iii) Notice of Event of Termination. As soon as possible and in any event within two (2) Business Days after a Responsible Officer of the Seller first becomes aware of each Event of Termination or Potential Event of Termination continuing on the date of such statement, a statement of a Responsible Officer of the Seller setting forth details of such Event of Termination or Potential Event of Termination and the action which the Seller has taken and proposes to take with respect thereto.

(iv) Proceedings. Promptly after the commencement thereof, notice of all actions and proceedings before any court or governmental agency or arbitrator or other authority affecting the Seller of the type described in Section 3.01(e).

(v) Business Plan. Not later than the earlier of (i) 15 days after PolyOne has received the approval of its board of directors therefor and (ii) 90 days after the commencement of each Fiscal Year: (A) the annual business plan of PolyOne and its Subsidiaries for such Fiscal Year approved by the Board of Directors of PolyOne, (B) forecasts prepared by management of PolyOne for each fiscal month in such Fiscal Year and (C) forecasts prepared by management of PolyOne for such Fiscal Year and each of the succeeding Fiscal Years through the Termination Date, including, in each instance described in clauses (B) and (C) above, (x) a projected year-end Consolidated balance sheet and income statement and statement of cash flows, (y) a statement of all of the material assumptions on which such forecasts are based and (z) containing the types of financial information contained in the Amended and Restated Projections.

(vi) Public and Creditors' Reports. Promptly after the sending or filing thereof, copies of (A) all reports the Seller sends to its security holders generally or that PolyOne sends to its security holders generally, (B) all reports and registration statements that PolyOne or any of its Subsidiaries files with the Securities and Exchange Commission or any national or foreign securities exchange or the National Association of Securities Dealers, Inc., (C) all press releases and other statements concerning material changes or developments in the business of PolyOne made available by PolyOne or any of its U.S. or Canadian Subsidiaries (including the Seller) to the public or any other creditor.

(vii) Other. Upon demand, such other information, documents, records or reports respecting the Seller Receivables, the Related Security, the Contracts or the condition or operations, financial or otherwise, of the Seller as the Buyer or the Agent may from time to time reasonably request.

(k) Subsidiaries. Maintain the status of the Seller and the Buyer as wholly owned subsidiaries of PolyOne.

(l) Conduct of Business. Conduct its business consistent with past practice and use its reasonable efforts, in the ordinary course and consistent with past practice, to preserve its business and

the goodwill and business of its customers, advertisers, suppliers and others having business relations with the Seller, except where the failure to do so would not, in the aggregate, have a Material Adverse Effect.

(m) Transaction Documents. At its expense, timely and fully perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under each of the Transaction Documents, maintain each of the Transaction Documents to which it is a party in full force and effect, enforceable in accordance with its terms, take all such action to such end as may be from time to time reasonably requested by the Agent, and make to any party to each of the Transaction Documents such demands and requests for information and reports or for action as the Seller is entitled to make thereunder and as may be from time to time reasonably requested by the Agent.

SECTION 4.02. Negative Covenants of the Seller.

Until the later of (i) the Termination Date and (ii) the date on which no Capital Investment shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement or the Canadian Receivables Purchase Agreement, the Seller shall not, without the prior written consent of the Buyer and the Agent (with the consent of the Required Purchasers):

(a) Sales, Adverse Claims, Etc. Except as otherwise provided herein, 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 upon or with respect to, any Receivable Asset, or upon or with respect to any related Contract or any deposit account to which any Collections of any Seller Receivables are sent (including, without limitation, any Lock-Box Account), or assign any right to receive income in respect thereof

(b) Extension or Amendment of Receivables. Except as otherwise permitted in the Canadian Receivables Purchase Agreement, extend, amend or otherwise modify the terms of any Seller Receivable, or amend, modify or waive any term or condition of any Contract related thereto.

(c) Change in Business or Credit and Collection Policy. Make any change in the character of its business or in the Credit and Collection Policy that would, in either case, be reasonably likely to impair the collectibility of the Seller Receivables.

(d) Change in Payment Instructions to Obligors. Add or terminate any bank as a Lock-Box Bank, or any deposit account as a Lock-Box Account, from those listed in Schedule I, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box Account, unless the Agent shall have received at least 20 days' prior written notice of such addition, termination or change and shall have received, with respect to each new Lock-Box Account, a Lock-Box Agreement executed by the Lock-Box Bank that maintains such Lock-Box Account and the Seller.

(e) Deposits to Lock-Box Accounts. Deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than Collections of Seller Receivables.

(f) Change of Name, Etc. Change its name, identity, form of legal structure, jurisdiction of its organization or chief executive office, unless, prior to the effective date of any such change, the Seller delivers to the Buyer and the Agent (i) PPSA financing statements or other filings necessary to reflect such change and to continue the perfection of the Buyer's ownership interests in the Receivable Assets Transferred hereunder, and (ii) if the identity or structure of the Seller has changed and such change adversely affects the rights of the Agent under then existing Lock-Box Agreements with the

Seller to take control of the Lock-Box Accounts pursuant to Section 6.03(a), new Lock-Box Agreements executed by the Seller and the Lock-Box Banks to the extent necessary to reflect such changes and to continue to enable the Agent to exercise such rights.

(g) Accounting of Purchases. Account for (including for accounting and tax purposes) or otherwise treat the transactions contemplated by this Agreement or prepare any financial statements which shall account for the transactions contemplated hereby, in each case, in any manner other than the sale of the Receivable Assets by the Seller to the Buyer or in any other respect account for or treat the transactions contemplated hereby (including but not limited to accounting and tax purposes) in any manner other than as a sale of the Receivable Assets by the Seller to the Buyer.

(h) Voluntary Petitions. Cause the Buyer to file a voluntary petition under the U.S. Bankruptcy Code or take any similar steps under any other bankruptcy or insolvency laws so long as the Buyer is not "insolvent" within the meaning of the U.S. Bankruptcy Code and unless, and only unless, such filing has been authorized in accordance with the Buyer's articles and by-laws.

(i) Mergers, Etc. Enter into a transaction of consolidation, merger or amalgamation with any Person unless (i) before and after giving effect on a pro forma basis to such consolidation, merger or amalgamation, no event shall have occurred and be continuing, or would result from such consolidation, merger or amalgamation, that constitutes an Event of Termination or Potential Event of Termination and (ii) such Person is not the Buyer and either (A) the Seller shall survive such consolidation or merger or (B) such other corporation or entity formed by such consolidation or into which the Seller shall be merged or amalgamated shall assume, in a writing on terms reasonably satisfactory to the Buyer and the Agent, all of the Seller's rights, obligations and liabilities under the Transaction Documents and all the other instruments or documents delivered or to be delivered thereunder.

(j) Maintenance of Separate Existence. Take any action, or omit to take any action, if the effect is to cause the Buyer to fail to perform or observe in any material respect the covenants contained in Sections 5.01(h) and (i) of the Canadian Receivables Purchase Agreement or to otherwise cause the Buyer not to be considered as legal entity separate and distinct from the Seller.

(k) Organization. Change its capital structure (including, without limitation, redeeming, repurchasing or changing the terms of, its outstanding Stock) or otherwise amend its charter, code of regulations or by-laws; or cause or permit the Buyer's charter or by-laws to be amended, supplemented or otherwise modified.

(l) Capital Stock. Cause or permit to be issued to, or cause or permit to be Transferred to, any Person (other than the Seller or any wholly-owned direct or indirect Subsidiary thereof) any shares of the Buyer's Stock; or create or suffer to exist any Lien upon or with respect to any of the Buyer's Stock.

(m) Accounting. Change its (i) accounting treatment and reporting practices or tax reporting treatment, except as required by GAAP or any Requirement of Law and disclosed to the Purchasers and the Agent, or (ii) fiscal year.

(n) Asset Sales. Except as otherwise provided herein, sell, convey, transfer, lease or otherwise dispose of, any of its assets or any interest therein (including the sale or factoring at maturity or collection of any accounts), whether in single transactions, or a series of related transactions, to any Person, or permit or suffer any other Person to acquire any interest in any of its assets except:



(i) the sale or other disposition of inventory in the ordinary course of business;

(ii) the sale or other disposition of assets or any interest therein having a Fair Market Value that is less than (x) \$250,000 individually and (y) \$2,000,000 in the aggregate for all such dispositions; and

(iii) dispositions of assets or interests therein not otherwise permitted above so long as (w) no Potential Event of Termination or Event of Termination is continuing or would result therefrom, (x) such sale or other transfer is for Fair Market Value, (y) if such asset or interest has a Fair Market Value of \$10,000,000 or more, or if when aggregated with all such assets or interest previously sold at any time after the date hereof, conveyed, transferred, leased or disposed, \$25,000,000 or more, 50% of the proceeds of such sale or transfer (or such series of related sales or transfers) are payable in cash to the Servicer upon the consummation of each such sale or transfer, and (z) if the Fair Market Value of such asset is in excess of \$25,000,000, the Board of Directors of the Servicer has approved such sale.

(o) Liens, Etc. Create or suffer to exist any Lien upon or with respect to any of its respective properties or assets, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries (other than the Buyer) to assign, any right to receive income, except for the following:

(i) Liens created by, pursuant to, arising under or relating to this Agreement, the Canadian Receivables Purchase Agreement or any other Transaction Document;

(ii) Liens existing on the date hereof; *provided, however*, that such Liens shall not be permitted with respect to any Receivable Assets unless such Liens arise under, were created by or were incurred pursuant to any of this Agreement, the Canadian Receivables Purchase Agreement or any other Transaction Document; and

(iii) statutory liens and other liens created in the ordinary course of business.

(p) Transactions with Affiliates. Except as otherwise contemplated by this Agreement, the Canadian Receivables Purchase Agreement, or any Transaction Document: (i) make any Investment in an Affiliate of the Seller that is not a Subsidiary of the Seller; (ii) transfer, sell, lease, assign or otherwise dispose of any asset to any Affiliate of the Seller that is not a Subsidiary of the Seller, *provided, however*, that the Seller may transfer, sell, lease, assign or otherwise dispose of any asset (other than Receivables) to any Affiliate of the Seller on an arms length basis; (iii) merge into or consolidate or amalgamate with or purchase or acquire assets from any Affiliate of the Seller that is not a Subsidiary of the Seller; or (iv) prepay any Indebtedness to any Affiliate of the Seller that is not a Subsidiary of the Seller.

(q) Speculative Transactions. Engage in any transaction involving hedging contracts or other similar speculative transactions except for the sole purpose of hedging in the normal course of business and consistent with industry practices.

## ARTICLE V

### ADMINISTRATION AND COLLECTION

#### SECTION 5.01. Designation of Buyer's Servicer.

The Seller Receivables shall be serviced, administered and collected by the Person (the "Buyer's Servicer") designated from time to time to perform the duties of the Servicer under the Canadian Receivables Purchase Agreement in accordance with Section 6.01 of the Canadian Receivables Purchase Agreement, and shall be serviced, administered and collected by the Buyer's Servicer in the manner set forth in Section 6.02 of the Canadian Receivables Purchase Agreement (including by subcontracting pursuant to Section 6.01 of the Canadian Receivables Purchase Agreement, but subject to Section 6.02(f) thereof). The Seller acknowledges and agrees to the restrictions set out in Section 6.02(f) of the Canadian Receivables Purchase Agreement, and further acknowledges that, to the extent the Servicer subcontracts any of its obligations or responsibilities as Servicer to the Seller, the Seller acts as an independent contractor of the Servicer and is not the agent of the Agent, any Owner or any Purchaser. Until the Agent designates a new Servicer in accordance with Section 6.01 of the Canadian Receivables Purchase Agreement, PolyOne is hereby designated to act as, and PolyOne hereby agrees to perform the duties and obligations of, the Buyer's Servicer hereunder.

#### SECTION 5.02. Rights of the Buyer and the Agent.

(a) Each of the Buyer and the Agent acting together or alone may notify the Obligors of Seller Receivables, at any time and at the Seller's expense, of the Buyer's interest in the Seller Receivables and the ownership of Receivables by the Owners. The Seller hereby Transfers to the Agent the exclusive ownership, dominion and control of any existing or future Lock-Box Accounts to which the Obligors of Pool Receivables shall make payments, and shall take any further action that the Agent may reasonably request to effect such Transfer.

(b) At any time:

(i) Each of the Buyer and the Agent acting together or alone may, at the expense of the Seller, direct the Obligors of the Seller Receivables, or any of them, to make payment of all amounts due or to become due to the Seller under Seller Receivables directly to the Agent or its designee.

(ii) The Seller shall, at the Buyer's or the Agent's request and at the Seller's expense, give notice of such ownership to such Obligors and direct them to make such payments directly to the Agent or its designee.

(iii) The Seller shall, at the Buyer's or the Agent's request and at the Seller's expense, (A) assemble all of the Records that evidence or relate to the Receivable Assets, and shall make the same available to the Agent at a place reasonably 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 Seller Receivables in a manner reasonably acceptable to the Agent and, 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) The Agent may take any and all reasonably commercial steps in the name of the Seller and on behalf of the Seller, the Buyer and the Owners that are necessary or desirable, in the

determination of the Agent, to collect amounts due under the Seller Receivables, including, without limitation, endorsing the Seller's name on checks and other instruments representing Collections of Seller Receivables and enforcing the Seller Receivables and the Related Security and related contracts, and adjusting, settling or compromising the amount or payment thereof, in the same manner and to the same extent as the Seller might have done, and the Seller hereby appoints the Agent as its attorney, with full power of substitution and delegation, for such purposes and with full authority to take all such steps, such appointment being coupled with an interest and being irrevocable.

SECTION 5.03. Responsibilities of the Seller.

Anything herein to the contrary notwithstanding:

(a) The Seller shall perform its obligations under the Contracts related to the Seller Receivables to the same extent as if the Receivable Assets had not been sold and the exercise by the Buyer or the Agent of its rights hereunder or under the Canadian Receivables Purchase Agreement shall not release the Buyer's Servicer or the Seller from any of its duties or obligations with respect to any Seller Receivables or under the related Contracts; and

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

SECTION 5.04. Further Actions Evidencing Purchases.

(a) The Seller agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary, or that the Buyer or the Agent may reasonably request, to perfect, protect or more fully evidence the Transfer of Receivable Assets by the Seller to the Buyer hereunder and the Transfer of Purchased Property purchased by the Owners under the Canadian Receivables Purchase Agreement, or to enable any of them or the Agent to exercise and enforce their respective rights and remedies hereunder or under the Canadian Receivables Purchase Agreement. Without limiting the foregoing, the Seller will, upon the request of the Buyer or the Agent, in order to perfect, protect or evidence such Transfers: (i) execute, authenticate and/or file such financing or continuation statements or amendments thereto, and such other instruments and documents, that may be necessary, or that the Buyer or the Agent may reasonably request; (ii) mark conspicuously each invoice evidencing each Seller Receivable and the related Contract with a legend, acceptable to the Buyer or the Agent, as applicable, evidencing that such Seller Receivables have been Transferred to the Buyer in accordance with this Agreement; and (iii) mark its master data processing records evidencing the Seller Receivables and related Contracts with such legend.

(b) The Seller hereby authorizes each of the Buyer and the Agent acting together or alone (upon prior written notice to the Seller) to file one or more financing or continuation statements or other applicable filings and amendments thereto relating to all or any of the Receivable Assets without the signature of the Seller where permitted by law. A photocopy or other reproduction of this Agreement shall be sufficient as a financing statement or other applicable filing where permitted by law.

(c) If PolyOne in its capacity as Buyer's Servicer fails to perform any of its obligations hereunder, the Buyer or the Agent may, upon prior written notice to PolyOne, itself perform, or cause performance of, such obligation, and the reasonable costs and expenses of the Agent or the Buyer incurred in connection therewith shall be payable by the Seller under Section 6.01 or 7.04, as applicable.

**ARTICLE VI**  
**INDEMNIFICATION**

**SECTION 6.01. Indemnities by the Seller.**

Without limiting any other rights that any Indemnified Party may have hereunder or under applicable law, and whether or not any of the transactions contemplated hereby are consummated, the Seller hereby agrees to indemnify each Indemnified Party from and against, and hold each thereof harmless from, any and all claims, losses, liabilities, costs and expenses of any kind whatsoever (including, without limitation, reasonable legal fees and expenses on a full indemnity basis) (all of the foregoing being collectively referred to as "Indemnified Amounts") arising out of, or resulting from, in whole or in part, the activities of the Seller in connection herewith or with any other Transaction Document or the use of proceeds of Transfers of Receivable Assets hereunder; excluding, however, Indemnified Amounts to the extent resulting solely and directly from either (x) the gross negligence or willful misconduct on the part of such Indemnified Party, or (y) the failure to collect amounts in respect of a Seller Receivable to the extent such failure results from a discharge of the Obligor with respect thereto in a proceeding in respect of such Obligor under applicable bankruptcy laws or otherwise results from the Obligor's financial inability to pay such amounts. Without limiting or being limited by the foregoing and whether or not any of the transactions contemplated hereby are consummated, the Seller shall pay on demand to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts which relate to or result from, or which would not have occurred but for, one or more of the following:

(i) any Receivable becoming a Seller Receivable which is not at the date of its Transfer hereunder an Eligible Receivable;

(ii) any representation or warranty or statement made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement or any other Transaction Document or any Receivables Activity Report, Seller Report, Receivables Report or other document delivered or to be delivered by the Seller in connection herewith or with any other Transaction Document being incorrect in any material respect when made or deemed made or delivered;

(iii) the failure by the Seller to comply with any applicable law, rule or regulation with respect to any Seller Receivable or the related Contract or any Related Security with respect thereto, including Privacy Laws; or the failure, as a result of any action or omission of the Seller, of any Seller Receivable or the related Contract or any Related Security with respect thereto to conform to any such applicable law, rule or regulation;

(iv) the failure by any action or inaction of the Seller to vest in the Buyer a first priority perfected 100% ownership interest in each Seller Receivable and the Related Security and Collections in respect thereof, free and clear of any Adverse Claim;

(v) the failure of the Seller to have filed, or any delay by the Seller in filing, financing statements or other similar instruments or documents under the PPSA or comparable legislation of any applicable jurisdiction or other applicable laws with respect to any Seller Receivable and the Related Security and Collections in respect thereof, whether at the time of the initial Transfer hereunder or at any subsequent time;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of any Obligor with or against the Seller to the payment of any Seller Receivable (including, without limitation, any defense based on the fact or allegation that such Receivable or the related Contract is not 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 by the Seller of the goods or services related to such Receivable or the Seller's furnishing or failure to furnish such goods or services;

(vii) any failure of PolyOne, as Buyer's Servicer, Servicer, or otherwise, to perform its duties, obligations or covenants under and in accordance with this Agreement or any other Transaction Document or to perform its duties or obligations under any Contract;

(viii) any product liability, personal injury, copyright infringement, theft of services, property damage, or other breach of contract, antitrust, unfair trade practices or tortious claim arising out of or in connection with any action or omission of the Seller and the subject matter of any Contract or out of or in connection with any transaction contemplated by this Agreement, any other Transaction Document or any other instrument or document furnished pursuant hereto or such Contract;

(ix) the commingling by the Seller of Collections of Seller Receivables at any time with other funds;

(x) any action or omission by the Seller, whether as Servicer or otherwise, reducing or impairing the rights of the Buyer hereunder or of any Owner under the Canadian Receivables Purchase Agreement, any other Transaction Document or any other instrument or document furnished pursuant hereto or thereto or with respect to any Seller Receivable;

(xi) any cancellation or modification of a Seller Receivable, the related Contract or any Related Security, whether by written agreement, verbal agreement, acquiescence or otherwise;

(xii) (A) any investigation, litigation or proceeding related to or arising from this Agreement, any other Transaction Document or any other instrument or document furnished pursuant thereto, or any transaction contemplated by this Agreement or any Contract, or the ownership of, or other interest in, any Seller Receivable, the related Contract or Related Security, excluding, however, Indemnified Amounts to the extent resulting from a claim of any Indemnified Party that does not arise out of or result from any action or omission of the Seller or (B) the use by the Seller of proceeds of any Transfer of any Receivable Asset hereunder;

(xiii) the existence of any Adverse Claim against or with respect to any Seller Receivable, the related Contract, Related Security or Collections and resulting from any act or omission of the Seller;

(xiv) any failure by the Seller to pay when due any taxes, including without limitation sales, excise, GST, PST or other personal property taxes, payable by the Seller in connection with any Seller Receivable or the related Contract or any Related Security with respect thereto;

(xv) any claim brought by any Person other than an Indemnified Party arising from any action or omission of by the Seller or any Affiliate of the Seller (other than the Buyer) in servicing, administering or collecting any Seller Receivable;

(xvi) any failure by any Lock-Box Bank holding a Lock-Box Account in the name of the Seller to comply with the terms of the Lock-Box Agreement to which such Lock-Box Bank is a party;

(xvii) any present or future Taxes, all interest and penalties thereon or with respect thereto, and all out-of-pocket costs and expenses, including the reasonable fees and expenses of counsel in defending against the same, which may arise by reason of the purchase or ownership of the Seller Receivables or any Related Security with respect thereto, the financing of such purchase or ownership by the Buyer or any other Indemnified Party or the servicing of the Seller Receivables, including without limitation, any withholding taxes that are imposed by Canada or any political subdivision thereof on any Indemnified Party or that are withheld from any Collections or other payments made hereunder, and any Taxes that are imposed on any Indemnified Party as a result of such Indemnified Party acquiring a permanent establishment in Canada as a result of the transactions contemplated hereby or by the Canadian Receivables Purchase Agreement; or

(xviii) to the extent not covered by the foregoing clauses, the occurrence and continuance of any Event of Termination resulting from an act or omission of the Seller other than an Event of Termination arising under Section 7.01(f) of the Canadian Receivables Purchase Agreement.

## **ARTICLE VII**

### **MISCELLANEOUS**

#### **SECTION 7.01. Amendments, Etc.**

No amendment or waiver of any provision of this Agreement or consent to any departure by the Seller or the Buyer therefrom shall be effective unless in a writing and signed by the Agent pursuant to the terms of the Canadian Receivables Purchase Agreement and, in the case of any such waiver or consent, the party against which the waiver or consent is to be enforced or, in the case of any such amendment, the Buyer and the Seller, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Buyer, any Owner or the Agent 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.

#### **SECTION 7.02. Notices, Etc.**

All notices and other communications hereunder shall, unless otherwise stated herein, be in writing (including telegraphic, telecopy or telex communication) and mailed, telegraphed, telecopied, telexed or delivered, to each party hereto, at 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. All such notices and communications shall, when mailed, telegraphed, telecopied or telexed, be effective when received by the Buyer or the Agent, as applicable.

#### **SECTION 7.03. Binding Effect; Assignability.**

This Agreement shall become effective when it shall have been executed by the Seller, by PolyOne as the Buyer's Servicer and by the Buyer and acknowledged by the Agent, and thereafter shall be binding upon and inure to the benefit of the Seller, the Buyer, the Agent, and each other Indemnified

Party and their respective successors and assigns, except that the Seller shall not have the right to assign its rights or obligations hereunder or any interest herein without the prior written consent of the Buyer and the Agent and each Purchaser, and the Buyer shall not have the right to assign its rights or obligations hereunder or any interest herein except pursuant to the Second Amended and Restated Consent and Agreement or the Canadian Receivables Purchase Agreement. This Agreement shall create and constitute the continuing obligation of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Termination Date; provided, however, that rights and remedies with respect to the provisions of Article VI and Sections 2.03, 7.04, 7.05, 7.06 and 7.14 shall be continuing and shall survive any termination of this Agreement.

SECTION 7.04. Costs, Expenses, Taxes and Currency.

(a) In addition to the rights of indemnification granted under this Agreement, the Seller agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery and administration (including periodic auditing of Receivables) of, and searches and filings in respect of, this Agreement, the other Transaction Documents and the other documents and agreements to be delivered hereunder or thereunder, and costs and expenses, if any, incurred by the Buyer under Section 11.04 of the Canadian Receivables Purchase Agreement, including, without limitation, in each case, the reasonable fees and disbursements (on a full indemnity basis) of counsel for the Agent and the Purchasers with respect thereto and advising the Agent as to its rights and remedies hereunder. The Seller further agrees to pay on demand all costs and expenses, if any (including, without limitation, reasonable counsel fees and disbursements on a full indemnity basis) of each Owner, the Agent or any Affiliate thereof, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the other Transaction Documents and the other instruments and documents to be delivered in connection herewith or therewith.

(b) In addition, the Seller 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 from the execution, delivery or registration of, or otherwise with respect to, this Agreement, any other Transaction Document, or any other document or instrument delivered in connection herewith or therewith (but excluding income taxes, such non-excluded taxes being hereinafter referred to as "Other Taxes"). The Seller shall indemnify each Indemnified Party for and hold it harmless against the full amount of Other Taxes (including, without limitation, any taxes imposed by any jurisdiction on amounts payable under this Section 7.04(b)) imposed on or paid by such Indemnified Party and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto whether or not such Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Indemnified Party makes written demand therefor (with a copy to the Agent).

(c) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that provided for in the definition of Dollar Equivalent.

(d) The obligations of the Seller in respect of any sum due to any party hereto (or their respective assigns) or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if

the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the Seller agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss.

SECTION 7.05. Non-Business Days.

In any case where any payment or action is due under this Agreement on a day which is not a Business Day, such payment or action may be made on the next succeeding Business Day, but such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be.

SECTION 7.06. Confidentiality.

(a) Each of the Seller and the Buyer hereby agree that each of the Seller and Buyer (and each of their respective, and their respective Affiliates' employees, officers, directors, agents and advisors) is, and has been from the commencement of discussions with respect to the receivables program established hereunder, permitted to disclose to any and all Persons, without limitation of any kind, the structure and tax aspects (as such terms are used in Code Sections 6011, 6111 and 6112 and the regulations promulgated thereunder) of the receivables program established hereunder, and all materials of any kind (including opinions or other tax analyses) that are or have been provided to each of the Seller and Buyer related to such structure and tax aspects. In this regard, each of the Seller and Buyer acknowledges and agrees that its disclosure of the structure or tax aspects of the receivables program established hereunder is not limited in any way by an express or implied understanding or agreement, oral or written (whether or not such understanding or agreement is legally binding). Furthermore, each of the Seller and Buyer acknowledges and agrees that it does not know or have reason to know that its use or disclosure of information relating to the structure or tax aspects of the receivables program established hereunder is limited in any other manner (such as where the receivables program established hereunder is claimed to be proprietary or exclusive) for the benefit of any other Person. To the extent that disclosure of the structure or tax aspects of the receivables program established hereunder by each of the Seller or Buyer is limited by any existing agreement between the Seller or Buyer, such limitation is agreed to be void *ab initio* and such agreement is hereby amended to permit disclosure of the structure and tax aspects of the receivables program established hereunder as provided in this clause (a).

(b) Subject to clause (a) of this Section 7.06, except to the extent otherwise required by applicable law, rule, regulation or judicial process, each of the parties hereto agrees to maintain the confidentiality of this Agreement, the Canadian Receivables Purchase Agreement, the Second Amended and Restated Consent and Agreement, the Second Amended and Restated Fee Letter (and all drafts thereof) and all non-public information delivered in connection herewith in communications with third parties and otherwise; provided, however, that (i) in the case of the Canadian Receivables Purchase Agreement, such information may be disclosed to third parties to the extent such disclosure is (A) limited in scope to the provisions of Article V, VII and X of the Canadian Receivables Purchase Agreement and, to the extent defined terms are used in Article V, VII and X, such terms defined in Article I of the Canadian Receivables Purchase Agreement and (B) made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Agent and (ii) in the case of this Agreement, the Second Amended and Restated Consent and Agreement, the Second Amended and Restated Fee Letter (and all drafts thereof) and all non-public information delivered in connection herewith in communications with third parties and otherwise, such information may be disclosed to third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Agent; provided, further, that this Agreement, the Canadian Receivables Purchase Agreement, the Second Amended and Restated Consent and Agreement and the



Second Amended and Restated Fee Letter (and all drafts thereof) may be disclosed (A) to each party's, the Agent's and each Owner's legal counsel, accountants and auditors on a confidential basis, (B) to any rating agency, (C) to any regulatory authority having jurisdiction over the Seller, the Buyer, the Agent or an Owner and (D) pursuant to court order or subpoena; provided, further, that each party 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 such party.

SECTION 7.07. Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE PROVINCE OF ONTARIO AND THE LAWS OF CANADA APPLICABLE THEREIN.

SECTION 7.08. Consent to Jurisdiction.

(a) Each of the Seller and the Buyer 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 any of the other Transaction Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the Seller and the Buyer 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. Each of the Seller and the Buyer agrees that a final, non-appealable, 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. 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 any of the other Transaction Documents in the courts of any other jurisdiction.

(b) Each of the Seller and the Buyer 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 any of the other Transaction Documents to which it is a party 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 7.09. Execution in Counterparts.

This Agreement may be executed in any number of 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 by telecopier of an executed counterpart of a signature page to this Agreement shall be effective as delivery of an original executed counterpart of this Agreement.

SECTION 7.10. [Deleted]

SECTION 7.11. Entire Agreement.

This Agreement and the other Transaction Documents to which the parties hereto are party contain a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement and understanding among the parties

hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, written or oral, relating to the subject matter hereof.

SECTION 7.12. Severability of Provisions.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 7.13. Waiver of Jury Trial.

Each of the parties hereto irrevocably waives to the fullest extent permitted by law 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 any of the other Transaction Documents or the actions of the Agent or any Indemnified Party in the negotiation, administration, performance or enforcement hereof or thereof.

SECTION 7.14. No Proceedings.

(a) The Seller hereby agrees that it will not institute against the Buyer or the Purchasers any proceeding of the type referred to in Section 7.01(f) of the Canadian Receivables Purchase Agreement so long as there shall not have elapsed one year plus one day since the later of the (i) the Termination Date and (ii) the date upon which no Capital Investment shall be existing and no Yield, fees or other amounts remain unpaid under this Agreement and the Canadian Receivables Purchase Agreement.

(b) The Seller and the Buyer hereby agrees that, in connection with this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, none of the Indemnified Parties shall be liable to the Seller or the Buyer (except to the extent of such Indemnified Party's own gross negligence or willful misconduct) or have any liability for any special, indirect, consequential or punitive damages.

[Remainder of page intentionally left blank.]

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

POLYONE CORPORATION,  
as Buyer's Servicer

By: \_\_\_\_\_

Name: John Rastetter

Title: Treasurer

33587 Walker Road  
Avon Lake, Ohio 44012

Attention: Treasurer

Telephone No.: 440-930-3105

Telecopier No.: 440-930-1839

[CANADIAN RECEIVABLES SALE AGREEMENT]

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POLYONE CANADA INC.  
as Seller

By: \_\_\_\_\_

Name: John Rastetter

Title: Vice President and Treasurer

940 Chippawa Creek Road

P.O. Box 1026

Niagara Falls, Ontario

Canada L2E 6V9

Attention: Treasurer

Telephone No.: 440-930-3105

Telecopier No.: 440-930-1839

[CANADIAN RECEIVABLES SALE AGREEMENT]

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POLYONE FUNDING CANADA CORPORATION,  
as Buyer

By: \_\_\_\_\_

Name: John Rastetter

Title: President

940 Chippawa Creek Road

P.O. Box 1026

Niagara Falls, Ontario

Canada L2E 6V9

Attention:President

Telephone No.: 440-930-3105

Telecopier No.: 440-930-1839

[CANADIAN RECEIVABLES SALE AGREEMENT]

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Acknowledged as of the date first above written:

CITICORP USA, INC.,  
as Agent

By: \_\_\_\_\_

Name: David Jaffe  
Title: Vice President/Director

388 Greenwich Street  
19th Floor  
New York, New York 10013

Attention: David Jaffe

Telephone No.: (212) 816-2329  
Telecopier No.: (212) 816-2613

[CANADIAN RECEIVABLES SALE AGREEMENT]

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**FORM OF  
RECEIVABLES ACTIVITY REPORT**

Date: \_\_\_\_\_, 200\_\_

Reference is made to the Canadian Receivables Sale Agreement dated as of July , 2007 (the "Agreement") among POLYONE CANADA INC., a Canadian corporation ("PolyOne"), as seller ("Seller"), POLYONE FUNDING CANADA CORPORATION, a Canadian corporation, as buyer (the "Buyer"), and POLYONE CORPORATION, an Ohio corporation, as the Buyer's servicer. Terms defined in the Agreement are used herein as therein defined.

The undersigned Seller hereby certifies to the Agent that, as of the close of business on the date set forth above: (i) [s]he is the [title] of the Seller; (ii) the information contained in Exhibit A to this Receivables Activity Report is true and correct in all material respects; and (iii) the information contained in Exhibit A to this Receivables Activity Report does not contain any untrue statement of a material fact and does not omit to state, as of the date hereof and as of the date so furnished, a material fact necessary in order to make the statements contained herein, in light of the circumstances under which they are made, not misleading.

As of the date of this Receivables Activity Report, no Potential Event of Termination or Event of Termination exists or has occurred and is continuing.

POLYONE CANADA INC.

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A to  
RECEIVABLES ACTIVITY REPORT**

Date: \_\_\_\_\_, 200\_\_

**Receivables Activity**

- |   |  |          |
|---|--|----------|
| 1 | Total of newly created Pool Receivables during the Month               | \$ _____ |
| 2 | Purchase Price (product of line 1 and the discount percentage of ___%) | \$ _____ |

**Payments**

- |   |   |          |
|---|---|----------|
| 3 | Total dollar amount (including, without limitation, Collections) transferred to the Seller under the Agreement during the Month <i>plus</i> any credit from the preceding month | \$ _____ |
|---|---|----------|

Subtract line 3 from line 2. If the result is positive, such amount is the Seller's purchase price for the Month. If the result is negative, such amount shall be a credit to be applied in the next succeeding month.

- |   |                         |          |
|---|-------------------------|----------|
| 4 | Seller's purchase price | \$ _____ |
|---|-------------------------|----------|

or

- |   |                                    |          |
|---|------------------------------------|----------|
| 5 | Credit to be applied to next month | \$ _____ |
|---|------------------------------------|----------|

**Reconciliation**

If the result of the above calculations was positive, then such Seller's purchase price was paid as follows:

- |   |   |          |
|---|---|----------|
| 6 | Cash transferred to Seller                          | \$ _____ |
| 7 | Adjustment to Seller's Subordinated Note            | \$ _____ |
| 8 | Capital contributed by Seller (PolyOne Canada only) | \$ _____ |



**FORM OF  
CANADIAN SUBORDINATED NOTE**

THE INDEBTEDNESS EVIDENCED BY THIS INSTRUMENT IS  
SUBORDINATED TO THE PRIOR PAYMENT IN FULL IN CASH OF ALL OF  
THE SENIOR DEBT (AS DEFINED BELOW) PURSUANT TO, AND TO THE EXTENT PROVIDED HEREIN.

CANADIAN SUBORDINATED [CANADIAN/US DOLLAR] NOTE

[Date]

FOR VALUE RECEIVED, the undersigned, POLYONE FUNDING CANADA CORPORATION, a Canadian corporation (the "**Buyer**"), hereby unconditionally promises to pay to the order of POLYONE CANADA INC., a Canadian corporation (the "**Seller**"), in lawful money of [Canada/the United States of America] in immediately available funds the principal amount outstanding on July 26, 2010 (the "**Maturity Date**"), in respect of indebtedness incurred by the Buyer in [Canadian/US Dollars] representing any portion of the Initial Purchase Price or any Purchase Price of the Receivable Assets purchased from time to time by the Buyer from the Seller pursuant to the Canadian Receivables Sale Agreement dated as of July \_\_\_\_, 2007, as it may be amended, supplemented and otherwise modified from time to time (the "**Canadian Receivables Sale Agreement**"), among the Seller, the Buyer and POLYONE CORPORATION, an Ohio corporation, as Buyer's servicer, and acknowledged by Citicorp USA, Inc. ("**Citicorp**"), as administrative agent (in such capacity, the "**Agent**"). Subject to the terms of subordination herein contained the Buyer may, at its option, prepay this Note in whole or in part at any time and from time to time from and after the date hereof; *provided, however*, that in no event shall the holder hereof have any right to demand any payment of principal hereunder prior to the Maturity Date.

Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Canadian Receivables Sale Agreement or the Canadian Receivables Purchase Agreement (as defined below), as the case may be. The term "**Note**" when used herein refers to this Canadian Subordinated [Canadian/US Dollar] Note.

The Buyer further agrees to pay interest from the date hereof in like money on the unpaid principal amount hereof from time to time outstanding, at a rate of 6% per annum. Interest shall be payable in arrears on each Yield Payment Date commencing on the first such date to occur after the date hereof and upon final payment of the unpaid principal amount hereof.

This Note is subordinate and junior in right and time of payment to all "**Senior Debt**" of the Buyer, which consists of all Indebtedness (as defined below) of the Buyer and all renewals, extensions, refinancings and refundings thereof other than any such Indebtedness that expressly provides that it is not senior or superior in right of payment hereto. The term "**Indebtedness**" means (i) all obligations of the Buyer from

time to time under the Canadian Receivables Purchase Agreement dated as of July , 2007, as it may be amended, supplemented and otherwise modified from time to time (the “**Canadian Receivables Purchase Agreement**”), among the Buyer, PolyOne Corporation, as Servicer, the Purchasers from time to time party thereto and the Agent, whether for Collections received or deemed to have been received by the Buyer, fees, costs, expenses, taxes, indemnification or otherwise, and (ii) any indebtedness, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereto) and guarantees of any of the foregoing, whether or not any such indebtedness would appear as a liability on a balance sheet of the Buyer prepared on a consolidated basis in accordance with generally accepted accounting principles.

All obligations (the “**Senior Obligations**”) of the Buyer to pay principal, interest (including, without limitation, interest, as provided in the instruments and agreements evidencing Senior Debt, payable after any Insolvency Event (as defined below) whether or not such interest is permitted to accrue or is allowable), fees, costs, expenses, taxes, indemnifications, and other amounts in respect of Senior Debt now or hereafter existing must be irrevocably paid in full in cash before any amount payable under this Note (the “**Junior Debt**”) shall be payable. Notwithstanding the foregoing, so long as no Event of Termination or Potential Event of Termination shall have occurred and be continuing under the Canadian Receivables Purchase Agreement, the Buyer may pay accrued and unpaid interest on Junior Debt on each Yield Payment Date and may voluntarily prepay the principal of Junior Debt at any time and from time to time; *provided, however*, that Junior Debt shall be payable only to the extent that the Buyer, after paying all its accounts payable and other expenses and obligations in respect of the Senior Obligations, has the funds to make such payments. No holder of Junior Debt shall take or receive from the Buyer for or on account of any Junior Debt any payment or distribution, by setoff or otherwise, in contravention of the subordination provisions herein contained. In the event (each, an “**Insolvency Event**”) of any dissolution, winding up, liquidation, arrangement, reorganization, adjustment, protection, relief or composition of the Buyer or its debt, whether voluntary or involuntary, in any bankruptcy, insolvency or similar case or proceeding under any federal or provincial bankruptcy, insolvency, arrangement or similar law or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Buyer or otherwise, the holders of Senior Obligations shall be entitled to receive irrevocable payment in full in cash of the Senior Obligations before any holder of any Junior Debt is entitled to receive any payment of all or any of the Junior Debt, and any payment or distribution of any kind (whether in cash, property or securities) that otherwise would be payable with respect to any Junior Debt in any such case, proceeding, assignment, marshalling or otherwise (including any payment that may be payable by reason of other Indebtedness of the Buyer being subordinated to payment of the Junior Debt) shall be paid or delivered directly to a representative (the “**Representative**”) selected by holders of at least 50% in principal amount of Senior Debt for the account of all holders of Senior Debt for application (in the case of cash) to, or as collateral (in the case of non-cash property or securities) for, the payment or prepayment of the Senior Obligations until the Senior Obligations shall have been irrevocably paid in full in cash. All payments and distributions upon or with respect to the Junior Debt which are received by any holder of Junior Debt contrary to the subordination provisions

herein contained shall be received in trust for the benefit of the holders of Senior Debt, shall be segregated from other funds and property held by such holder of Junior Debt and shall be forthwith paid over to the Representative for the account of the holders of Senior Debt in the same form as so received (with any necessary endorsement) to be applied (in the case of cash) to, or held as collateral (in the case of non-cash property or securities) for, the payment or prepayment of the Senior Obligations. The Buyer agrees, and the holder hereof by accepting this Note agrees, to the subordination provisions herein contained.

Notwithstanding any provision herein to the contrary, the holder hereof by accepting this Note agrees that it shall be entitled to enforce the obligations of the Buyer hereunder (subject to the other provisions contained in this Note) only against the interest of the Buyer from time to time now existing or hereafter arising under the Canadian Receivables Purchase Agreement or any amounts payable thereunder and that the obligations of the Buyer hereunder shall not constitute a claim against the Buyer or its other assets in the event that such interest of the Buyer is insufficient to pay such obligations.

Upon prior written notice to the Buyer, the holder hereof may sell, pledge, assign, or otherwise transfer this Note, except that no such transfer shall be made (other than a transfer to any Affiliate (other than the Buyer or any of its subsidiaries) of the Seller) without the prior written consent of the Agent.

This Note shall be governed by, and construed in accordance with, the laws of the Province of Ontario.

The holder of this Note, by its acceptance hereof, hereby covenants and agrees that (a) so long as the Senior Debt shall not have been irrevocably paid in full in cash, such holder will not sue for or demand from the Buyer payment of all or any of the Junior Debt and (b) such holder will not at any time institute against the Buyer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any federal or provincial bankruptcy, insolvency, arrangement or similar law.

IN WITNESS WHEREOF, the Buyer has caused this Note to be duly executed as of the day and year first above written.

POLYONE FUNDING CANADA CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

**FORM OF  
QUEBEC ASSIGNMENT**

See Attached

C-1

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**ASSIGNMENT OF RECEIVABLE ASSETS  
POLYONE FUNDING CANADA CORPORATION**

Reference is made to the Canadian Receivables Sale Agreement dated as of July \_\_\_, 2007 by PolyOne Canada Inc., as seller (the “Seller”), PolyOne Funding Canada Corporation, as buyer (the “Buyer”) and PolyOne Corporation, as Buyer’s servicer (the “Buyer’s Servicer”) (the “Canadian Receivables Sale Agreement”).

All capitalized terms used herein, but not otherwise defined herein, shall have the meaning ascribed to them in the Canadian Receivables Sale Agreement.

**FOR VALUE RECEIVED**, the Seller does hereby sell, transfer and assign unto the Buyer, all of the Seller’s right, title and interest to and in all of the present and future Receivable Assets.

This assignment is made without recourse but pursuant to and upon all of the representations, warranties, covenants and agreements on the part of the undersigned contained in the Canadian Receivables Sale Agreement and is subject to, governed by, and construed in accordance with, the Canadian Receivables Sale Agreement and the laws of Ontario. In the event of any inconsistency or conflict between the Canadian Receivables Sale Agreement and this assignment, the provisions of the Canadian Receivables Sale Agreement shall govern.

**IN WITNESS WHEREOF** this assignment has been executed by the Seller and is dated as of the \_\_\_ day of July, 2007.

**POLYONE CANADA INC.**

By: \_\_\_\_\_  
Name: John Rastetter  
Title Treasurer

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**LOCK-BOX BANKS AND  
LOCK-BOX ACCOUNTS**

<u>Lock-Box Bank</u>	<u>Lock-Box No.</u>	<u>Lock-Box Account No.</u>	<u>Owner</u>
Bank of Montreal	T57659C	1441104	PolyOne Canada Inc.
Bank of Montreal	T57659U	4672652	PolyOne Canada Inc.

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**CREDIT AND COLLECTION POLICY****Purpose and Scope**

The Company conducts its operations through dedicated business units and organizational teams. The purpose of this policy is to establish the essential Company-wide requirements relating to the management of "credit" risk. The scope of this policy covers all receivables for each business unit.

**Overall Policy**

Unless otherwise approved, the Company will only extend credit as part of conducting normal business operations. Credit will be provided based on an assessment of an individual customer's (or other third party's) ability to pay within terms common (competitive) to the business market segment. Each business will manage its credit risk by (a) assessing the risk exposure of its credit portfolio and (b) assessing activities to realize prompt payment collection.

**Responsibility and Authority**

The Corporate Chief Financial Officer (CFO) is responsible for establishing policy guidelines consistent with PolyOne Corporation's target capital structure. The guidelines will cover setting credit limits and exceptions thereto, for term extensions and credit worthiness, and determining the appropriate risk exposure of a business' overall credit portfolio.

The CFO is responsible for this policy and revisions, which may be required from time to time. The CFO will approve any exceptions to this policy.

It is the responsibility of the business General Manager, delegating through the business management team (specifically including the business controller and credit manager), to develop and implement all business unit policies, guidelines and/or procedures necessary to effectively manage the business unit's day-to-day credit risk and to adhere to this Company-wide policy. The business General Manager is delegated the authority to have credit authorized consistent with this policy.

**Actions Requiring the Approval of the CFO**

- Business programs, which in their aggregate extend overall credit levels beyond established risk exposure guidelines
  - Expansion by more than 10% of previously approved programs
  - Employee credit other than for relocation and/or nominal amounts not to exceed \$500 outstanding per individual (should be discouraged)
  - Any credit to Company Officers
-

## **Guidelines**

The successful implementation of this policy is partially dependent on establishing specific control and reporting activities that each business unit's operations are expected to incorporate. Below are specific activities which each business unit will perform in supporting the (a) assessment of its credit portfolio risk, (b) prompt collection of outstanding credit and (c) reporting to Corporate Services (CFO, Treasurer and Corporate Controller).

### Assessing portfolio credit risk

- Assess the credit risk on an individual account basis
- New shipments will only be made within established guidelines
- Continuous and periodical assessments of the overall risk profile of the credit portfolio considering industry conditions credit terms/programs, specific account condition with appropriate actions implemented.

### Prompt Payment

- Delinquent accounts will be contacted in a timely manner and communications of such delinquency will be made to business management and to the sales organization
- Customer accounts will be kept clean, i.e., credit and debit adjustments issued timely, cash applied to invoices, etc.

### Reporting to Corporate Services

- In the monthly financial reporting package include key performance measures relating to receivable DSO, aging, dating, etc. The business unit DSO will be shown for domestic, foreign and total and calculated on a Company-wide basis
- Quarterly provide a brief communication on the business unit's credit risk portfolio profile and highlight substantive changes
- Annually review any programs which extend credit beyond normal product sale terms

In addition to the above activities it is important that each business unit establish an environment consistent with managing its credit risk. Important areas to consider and which may impact such an environment include the following:

- Scope of account responsibility given to sales personnel
- Sales personnel basis of incentive compensation
- Customer incentives for prompt payment
- Level of communications between sales and credit personnel
- Use of performance measures and establishing goals

Also, it is the responsibility of each business unit to quickly communicate to other PolyOne business units, as appropriate, problem accounts or potential bad credit risks.

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FORMS OF INVOICES

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**JURISDICTION OF INCORPORATION,  
ORGANIZATION IDENTIFICATION NUMBER AND  
LOCATION OF SELLER'S PRINCIPAL PLACE OF BUSINESS,  
CHIEF EXECUTIVE OFFICE AND OFFICE WHERE RECORDS ARE KEPT**

**PolyOne Canada Inc.**

**Jurisdiction of Incorporation**

Ontario Canada.

**Organization Identification Number**

356930-6.

**Principal Place of Business, Chief Executive Office and Office Where Records Are Kept**

PolyOne Canada Inc.  
940 Chippawa Creek Road  
P.O. Box 1026  
Niagara Falls, Ontario, Canada L2E 6V9

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**TRADEMARK OR OTHER NAMES FOR SELLER**

None.

## CERTIFICATION

I, Stephen D. Newlin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PolyOne Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 2, 2010

/s/ Stephen D. Newlin

Stephen D. Newlin

Chairman, President and Chief Executive Officer

## CERTIFICATION

I, Robert M. Patterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PolyOne Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 2, 2010

/s/ Robert M. Patterson

Robert M. Patterson

Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of PolyOne Corporation (the "Company") for the period ended June 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen D. Newlin, Chairman, President and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Stephen D. Newlin

\_\_\_\_\_  
Stephen D. Newlin  
Chairman, President and Chief Executive Officer  
August 2, 2010

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of PolyOne Corporation (the "Company") for the period ended June 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert M. Patterson, Senior Vice President and Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Robert M. Patterson

\_\_\_\_\_  
Robert M. Patterson  
Senior Vice President and Chief Financial Officer  
August 2, 2010

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.