

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 QUARTERLY PERIOD ENDED MARCH 31, 2003. 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)

34-1730488

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

Suite 36-5000, 200 Public Square, Cleveland, Ohio
(Address of principal executive offices)

44114-2304
(Zip Code)

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

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
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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No
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As of May 14, 2003, there were 91,708,962 common shares outstanding.

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 March 31, | |
|--|---------------------------------|-----------|
| | 2003 | 2002 |
| | ----- | ----- |
| Sales | \$ 645.5 | \$ 596.3 |
| Operating costs and expenses: | | |
| Cost of sales | 552.1 | 490.1 |
| Selling and administrative | 71.8 | 79.4 |
| Depreciation and amortization | 18.5 | 17.8 |
| Employee separation and plant phase-out | 24.9 | 0.9 |
| Loss on divestiture of equity investment | - | 1.5 |
| (Income) loss from equity affiliates and minority interest | (5.6) | 2.2 |
| | ----- | ----- |
| Operating income (loss) | (16.2) | 4.4 |
| Interest expense | (12.5) | (8.5) |
| Interest income | 0.2 | 0.2 |
| Other expense, net | (3.1) | (2.6) |
| | ----- | ----- |
| Loss before income taxes, discontinued operations and cumulative effect of change in accounting | (31.6) | (6.5) |
| Income tax benefit | 12.3 | 2.6 |
| | ----- | ----- |
| Loss before discontinued operations and cumulative effect of change in accounting | (19.3) | (3.9) |
| Discontinued operations: | | |
| Income from operations, net of income taxes | - | 0.3 |
| Cumulative effect of a change in goodwill accounting, net of income tax benefit of \$1.0 million | - | (53.7) |
| | ----- | ----- |
| Net loss | \$ (19.3) | \$ (57.3) |
| | ===== | ===== |
| Loss per share of common stock: | | |
| Basic loss per share before discontinued operations and effect of change in accounting | \$ (.21) | \$ (.04) |
| Discontinued operations | - | - |
| Cumulative effect of a change in accounting | - | (.60) |
| | ----- | ----- |
| Basic loss per share | \$ (.21) | \$ (.64) |
| | ===== | ===== |
| Diluted loss per share before discontinued operations and effect of change in accounting | \$ (.21) | \$ (.04) |
| Discontinued operations | - | - |
| Cumulative effect of a change in accounting | - | (.60) |
| | ----- | ----- |
| Diluted loss per share | \$ (.21) | \$ (.64) |
| | ===== | ===== |
| Weighted average shares used to compute earnings per share: | | |
| Basic | 90.9 | 90.0 |
| Diluted | 90.9 | 90.0 |
| Dividends paid per share of common stock | \$ - | \$.0625 |

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements

POLYONE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In millions)

| | March 31, 2003 ----- | December 31, 2002 ----- |
|--|----------------------------|-------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 50.3 | \$ 41.4 |
| Accounts receivable, net | 204.5 | 164.3 |
| Inventories | 289.7 | 253.7 |
| Deferred income tax assets | 41.9 | 42.1 |
| Other current assets | 16.1 | 12.7 |
| | ----- | ----- |
| Total current assets | 602.5 | 514.2 |
| Property, net | 672.7 | 682.1 |
| Investment in equity affiliates | 256.8 | 271.8 |
| Goodwill, net | 444.1 | 444.0 |
| Other intangible assets, net | 31.8 | 32.8 |
| Other non-current assets | 51.8 | 52.6 |
| | ----- | ----- |
| Total assets | \$2,059.7 ===== | \$1,997.5 ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term bank debt | \$ 36.2 | \$ 0.7 |
| Accounts payable | 299.4 | 242.0 |
| Accrued expenses | 138.8 | 160.2 |
| Current portion of long-term debt | 91.0 | 91.0 |
| | ----- | ----- |
| Total current liabilities | 565.4 | 493.9 |
| Long-term debt | 498.4 | 492.2 |
| Deferred income tax liabilities | 23.8 | 39.0 |
| Post-retirement benefits other than pensions | 123.0 | 122.5 |
| Other non-current liabilities, including pensions | 267.2 | 261.2 |
| Minority interest in consolidated subsidiaries | 9.2 | 9.0 |
| | ----- | ----- |
| Total liabilities | 1,487.0 | 1,417.8 |
| Shareholders' equity: | | |
| Preferred stock, 40.0 shares authorized, no shares issued | - | - |
| Common stock, \$.01 par, 400.0 shares authorized, 122.2 shares issued at March 31, 2003 and December 31, 2002 | 1.2 | 1.2 |
| Other shareholders' equity | 571.5 | 578.5 |
| | ----- | ----- |
| Total shareholders' equity | 572.7 | 579.7 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$2,059.7 ===== | \$1,997.5 ===== |

See Accompanying Notes to the Unaudited Condensed Consolidated Financial
Statements

POLYONE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In millions)

| | Three Months Ended March 31, | |
|---|---------------------------------|----------------|
| | 2003 | 2002 |
| | ----- | ----- |
| OPERATING ACTIVITIES | | |
| Net loss | \$ (19.3) | \$ (57.3) |
| Cumulative effect of a change in accounting | - | 53.7 |
| Income from discontinued operations | - | (0.3) |
| | ----- | ----- |
| Loss from continuing operations | (19.3) | (3.9) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Employee separation and plant phase-out charges | 24.9 | 0.9 |
| Cash payments on employee separation and plant phase-out | (12.0) | (4.0) |
| Depreciation and amortization | 18.5 | 17.8 |
| Unrealized currency (gains) losses | (6.2) | 0.8 |
| Loss on sale of equity affiliate | - | 1.5 |
| Companies carried at equity and minority interest: | | |
| (Income) loss from equity affiliates | (6.0) | 2.0 |
| Minority interest expense | 0.4 | 0.2 |
| Dividends and distributions received | 1.0 | 0.3 |
| Change in assets and liabilities: | | |
| Operating working capital: | | |
| Accounts receivable | (37.7) | (69.5) |
| Inventories | (34.1) | (16.8) |
| Accounts payable | 56.2 | 22.7 |
| Accrued expenses and other | (20.3) | 17.3 |
| | ----- | ----- |
| NET CASH USED BY OPERATING ACTIVITIES FOR CONTINUING OPERATIONS | (34.6) | (30.7) |
| INVESTING ACTIVITIES | | |
| Capital expenditures | (6.2) | (10.5) |
| Return of cash from equity affiliates | 2.4 | 0.5 |
| Business acquired, net of cash received | (15.8) | - |
| Proceeds from sale of assets | 22.4 | - |
| | ----- | ----- |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES FOR CONTINUING OPERATIONS | 2.8 | (10.0) |
| FINANCING ACTIVITIES | | |
| Change in short-term debt | 35.4 | 49.1 |
| Change in long-term debt | 6.1 | (0.3) |
| Net proceeds from the exercise of stock options | - | 2.7 |
| Dividends | - | (5.8) |
| | ----- | ----- |
| NET CASH PROVIDED BY FINANCING ACTIVITIES FOR CONTINUING OPERATIONS | 41.5 | 45.7 |
| NET CASH USED BY DISCONTINUED OPERATIONS | - | (0.1) |
| Effect of exchange rate on changes on cash | (0.8) | (0.6) |
| | ----- | ----- |
| INCREASE IN CASH AND CASH EQUIVALENTS | 8.9 | 4.3 |
| Cash and cash equivalents at beginning of period | 41.4 | 18.2 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 50.3 | \$ 22.5 |
| | ===== | ===== |

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements

POLYONE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
(In millions, shares in thousands)

| | Common Shares | Common Shares Held in Treasury | Total | Common Stock | Additional Paid-In Capital | Retained Earnings (Deficit) | Common Stock Held in Treasury | Share Ownership Trust | Accumulated Other Non- Owner Equity Changes |
|--|------------------|---|----------|-----------------|----------------------------------|-----------------------------------|--|-----------------------------|---|
| BALANCE JANUARY 1, 2002 | 122,192 | 31,175 | \$ 713.4 | \$ 1.2 | \$ 1,072.7 | \$ 100.3 | \$ (350.1) | \$ (5.3) | \$(105.4) |
| Non-owner equity changes: | | | | | | | | | |
| Net loss | | | (57.3) | | | (57.3) | | | |
| Translation adjustment | | | (0.3) | | | | | | (0.3) |
| Total non-owner equity changes | | | (57.6) | | | | | | |
| Stock-based compensation and benefits and exercise of options | | (175) | 3.4 | | (1.1) | | 2.6 | 1.6 | 0.3 |
| Adjustment to market value | | | - | | 2.3 | | | (2.3) | |
| Cash dividends | | | (5.8) | | | (5.8) | | | |
| BALANCE MARCH 31, 2002 | 122,192 | 31,000 | \$ 653.4 | \$ 1.2 | \$ 1,073.9 | \$ 37.2 | \$ (347.5) | \$ (6.0) | \$(105.4) |
| BALANCE JANUARY 1, 2003 | 122,192 | 30,517 | \$ 579.7 | \$ 1.2 | \$ 1,069.5 | \$ 18.7 | \$ (341.1) | \$ (1.8) | \$(166.8) |
| Non-owner equity changes: | | | | | | | | | |
| Net loss | | | (19.3) | | | (19.3) | | | |
| Translation adjustment | | | 11.3 | | | | | | 11.3 |
| Net unrealized loss on securities | | | 0.1 | | | | | | 0.1 |
| Total non-owner equity changes | | | (7.9) | | | | | | |
| Stock-based compensation and benefits | | (35) | 0.9 | | (0.4) | | 0.4 | 0.4 | 0.5 |
| BALANCE MARCH 31, 2003 | 122,192 | 30,482 | \$ 572.7 | \$ 1.2 | \$ 1,069.1 | \$ (0.6) | \$ (340.7) | \$ (1.4) | \$(154.9) |

See Accompanying Notes to the Unaudited Condensed Consolidated Financial
Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A - 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. These interim statements should be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2002 of PolyOne Corporation.

In December 2002, PolyOne sold its 70% ownership interest in Softer, a leading Italian compounder of thermoplastic materials, while licensing certain technologies. With the sale, all historical operating results of this business have been reported separately as discontinued operations. The business was previously included within PolyOne's Performance Plastics segment.

Operating results for the three-month period ended March 31, 2003 are not necessarily indicative of the results expected in subsequent quarters or for the year ending December 31, 2003.

NOTE B - ACCOUNTING POLICIES

STOCK-BASED COMPENSATION As provided under Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," PolyOne has elected to account for stock-based compensation under the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Compensation cost for stock options is measured as the excess, if any, of the quoted market price of the PolyOne stock at the date of the grant over the amount an employee must pay to acquire the stock.

The following table illustrates the effect on net loss and loss per share if PolyOne had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation, using the fair value estimate computed by the Black-Scholes option-pricing model. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected share price volatility. Because PolyOne's share options have characteristics significantly different from traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our share options.

| (In millions, except per share data) | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2003 | 2002 |
| Net loss, as reported | \$ (19.3) | \$ (57.3) |
| Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards | 1.2 | 0.8 |
| Pro forma net loss | \$ (20.5) | \$ (58.1) |
| Net loss per share: | | |
| Basic and diluted - as reported | \$ (.21) | \$ (.64) |
| Basic and diluted - pro forma | \$ (.22) | \$ (.65) |

NEW ACCOUNTING PRONOUNCEMENTS The Financial Accounting Standards Board (FASB) has issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires a cost associated with an exit or disposal activity, such as the sale or termination of a line of business, the closing of business activities in a particular location or a change in management structure, to be recorded as a liability at fair value when it becomes probable the cost will be incurred and no future economic benefit will be gained by the company for such cost. Applicable costs include employee termination benefits, contract termination costs and costs to consolidate facilities or relocate employees. SFAS No. 146 supersedes Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," which in some cases required certain costs to be recognized before a liability was actually incurred. The provisions of SFAS No. 146 are effective for exit or disposal activities initiated after December 31, 2002.

The Financial Accounting Standards Board has issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition when a company voluntarily changes to the fair value-based method of recognizing expense in the income statement for stock-based employee compensation, including stock options granted to employees. As allowed by SFAS No. 123, PolyOne has adopted the disclosure-only provisions of the standard and does not recognize expense for stock options granted to employees.

RECLASSIFICATION Certain amounts for 2002 have been reclassified to conform with the 2003 presentation.

NOTE C - GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the three months ended March 31, 2003, by business segment are as follows:

| (In millions) | Performance Plastics | Elastomers & Performance Additives | Distribution | Other | Total |
|---|-------------------------|--|--------------|--------|----------|
| December 31, 2002 | \$ 329.7 | \$ 111.9 | \$ 1.1 | \$ 1.3 | \$ 444.0 |
| Reversal of business combination reserve | (0.3) | - | - | - | (0.3) |
| Currency translation | 0.4 | - | - | - | 0.4 |
| March 31, 2003 | \$ 329.8 | \$ 111.9 | \$ 1.1 | \$ 1.3 | \$ 444.1 |

Information regarding PolyOne's other intangible assets follows:

| (In millions) | Acquisition Cost | As of December 31, 2002 Accumulated Amortization | Currency Translation | Net |
|---|---------------------|--|-------------------------|---------|
| Non-contractual customer relationships | \$ 16.7 | \$ (3.0) | \$ - | \$ 13.7 |
| Sales contract | 12.9 | (4.1) | - | 8.8 |
| Patents, technology and other | 15.5 | (5.6) | 0.4 | 10.3 |
| Total | \$ 45.1 | \$ (12.7) | \$ 0.4 | \$ 32.8 |

| (In millions) | Acquisition Cost | As of March 31, 2003 Accumulated Amortization | Currency Translation | Net |
|---|---------------------|---|-------------------------|---------|
| Non-contractual customer relationships | \$ 16.7 | \$ (3.3) | \$ - | \$ 13.4 |
| Sales contract | 12.9 | (4.5) | - | 8.4 |
| Patents, technology and other | 15.5 | (6.0) | 0.5 | 10.0 |
| Total | \$ 45.1 | \$ (13.8) | \$ 0.5 | \$ 31.8 |

Amortization of other intangible assets was \$1.1 million for the three-month period ended March 31, 2003 and \$1.1 million for the three-month period ended March 31, 2002. Amortization expense for each of the five succeeding fiscal years is expected to be approximately \$4.5 million per year.

NOTE D - INVENTORIES

Components of inventories are as follows:

| (In millions) | March 31, 2003 | December 31, 2002 |
|--|-------------------|----------------------|
| Finished products and in-process inventories | \$ 186.5 | \$ 159.1 |
| Raw materials and supplies | 130.0 | 118.5 |
| LIFO Reserve | 316.5 (26.8) | 277.6 (23.9) |
| Total Inventories | \$ 289.7 | \$ 253.7 |

NOTE E - INCOME TAXES

The effective income tax benefit was 39% for the first quarter 2003 compared with a benefit of 40% for the first quarter 2002. The difference in the effective benefits for the quarter is principally due to lower foreign income taxes. The net deferred tax asset as of March 31, 2003 was \$18.1 million, which included a deferred tax asset of \$109.2 million related to operating loss carryforwards for tax purposes. The tax benefit recorded in the first quarter included a benefit of \$15.1 million related to domestic losses because PolyOne is forecasting income for the year 2003 and therefore, no additional valuation allowance is deemed necessary at this time.

NOTE F - INVESTMENT IN EQUITY AFFILIATES

PolyOne owns 24% of Oxy Vinyls LP (OxyVinyls), a manufacturer and marketer of PVC resins. OxyVinyls is a leading producer of PVC resins in North America. The following table presents OxyVinyls' summarized results of operations for the three months ended March 31, 2003 and 2002, and summarized balance sheet information as of March 31, 2003 and December 31, 2002.

| (In millions) | Three Months Ended March 31, | |
|---|---------------------------------|----------|
| | ----- | ----- |
| Net sales | \$ 413.5 | \$ 278.8 |
| Employee severance and liabilities associated with the temporary idling of a plant | - | (3.1) |
| Operating income | 17.2 | 0.1 |
| Partnership income (loss) as reported by OxyVinyls | 12.7 | (1.3) |
| PolyOne's ownership of OxyVinyls | 24% | 24% |
| | ----- | ----- |
| PolyOne's proportionate share of OxyVinyls' earnings | 3.0 | (0.3) |
| Amortization of the difference between PolyOne's investment and its underlying share of OxyVinyls' equity | 0.2 | 0.1 |
| | ----- | ----- |
| Earnings of equity affiliate recorded by PolyOne | \$ 3.2 | \$ (0.2) |
| | ===== | ===== |

| (In millions) | March 31, 2003 | December 31, 2002 |
|-------------------------|-------------------|----------------------|
| | ----- | ----- |
| Current assets | \$ 342.1 | \$ 275.1 |
| Non-current assets | 962.8 | 979.1 |
| | ----- | ----- |
| Total assets | 1,304.9 | 1,254.2 |
| Current liabilities | 178.5 | 164.0 |
| Non-current liabilities | 104.8 | 81.3 |
| | ----- | ----- |
| Total liabilities | 283.3 | 245.3 |
| | ----- | ----- |
| Partnership capital | \$ 1,021.6 | \$ 1,008.9 |
| | ===== | ===== |

OxyVinyls' income during the first quarter of 2003 reported above includes a charge of \$3.4 million in connection with a change in accounting from the adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations." Our proportionate share of the charge was \$0.8 million. OxyVinyls' loss during the first quarter of 2002 reported above includes a pre-tax charge of \$3.1 million related to employee severance costs and costs associated with the temporary idling of a plant. PolyOne's proportionate share of this charge was \$0.7 million.

In April 2003, OxyVinyls exercised its purchase option related to its LaPorte, Texas VCM plant lease for approximately \$180 million. As a result, the implementation of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," will have no earnings impact on OxyVinyls.

PolyOne's Resin and Intermediates segment also includes the SunBelt Chlor-Alkali Partnership (owned 50%) and Welvic Australia Pty Ltd. (owned 37.4%) equity affiliates. The Performance Plastics segment includes the DH Compounding Company (owned 50%) and Geon/Polimeros Andinos (owned 50%) equity affiliates. For the one-month period ended January 31, 2003, the Performance Plastics segment included the results for Techmer PM, LLC, an equity affiliate (owned 51%). In January 2003, we sold our unconsolidated equity ownership interest in Techmer. Further, for the two-month period ended February 28, 2002, the Resin and Intermediates segment included the results for Australian Vinyls Corporation, an equity affiliate (owned 37.4%) and the Performance Plastics segment included SPCGeon PTE Limited (owned 50%). In February 2002, Australian Vinyls Corporation was sold and SPCGeon PTE Limited was dissolved. Combined summarized financial information for these equity affiliates is presented below.

| (In millions) | Three Months Ended March 31, | |
|-------------------|---------------------------------|---------|
| | 2003 | 2002 |
| Net sales | \$ 41.7 | \$ 95.2 |
| Operating income | 9.4 | 2.4 |
| Net income (loss) | 5.6 | (1.7) |

NOTE G - EARNINGS PER SHARE COMPUTATION

Weighted average shares outstanding are computed as follows:

| (Shares in millions) | Three Months Ended March 31, | |
|--|---------------------------------|-------|
| | 2003 | 2002 |
| Weighted-average shares - Basic: | | |
| Weighted-average shares outstanding | 91.5 | 90.6 |
| Less unearned portion of restricted stock awards included in outstanding shares | (0.6) | (0.6) |
| | 90.9 | 90.0 |
| Weighted-average shares - Diluted: | | |
| Weighted-average shares outstanding - basic | 90.9 | 90.0 |
| Plus unearned portion of restricted stock awards included in outstanding shares | - | - |
| Plus dilutive impact of stock options | - | - |
| | 90.9 | 90.0 |

Basic earnings (loss) per common share is computed as net income (loss) available to common shareholders divided by weighted average basic shares outstanding. Diluted earnings (loss) per common share is computed as net income (loss) available to common shareholders divided by weighted average diluted shares outstanding.

PolyOne had excluded all outstanding options from the calculation of diluted loss per share because they would have had an anti-dilutive effect (0.9 million shares in 2002). There was no impact from stock options and stock awards at March 31, 2003.

NOTE H - BUSINESS COMBINATIONS

On August 31, 2000, PolyOne was formed as a result of the consolidation of Geon and Hanna, with Geon as the acquiring entity. As a result of the acquisition of Hanna, PolyOne announced plans to incur employee separation and plant phase-out costs for incremental expenditures to exit and consolidate activities at former Hanna locations, to sever employees involuntarily, and to integrate operating locations and other activities of the newly formed PolyOne.

In 2001, PolyOne announced the closing of 12 former Hanna manufacturing plants. Of the announced sites for closings, nine were in the Performance Plastics business segment and three were in the Elastomers & Performance Additives segment. In 2001, one Performance Plastics and all designated Elastomers & Performance Additives plants were closed. In 2002, five Performance Plastics manufacturing sites closed. In January 2003, PolyOne committed to a refinement to the original 2001 plan and decided to continue operating the remaining facility. Accordingly, in the first quarter of 2003, the reserve of approximately \$0.3 million associated with this facility (which relates to an acquired business) was reversed and recognized as a reduction to goodwill of the acquired business. The two remaining facilities are scheduled to be closed by the third quarter of 2003.

The components of the acquisition integration liabilities are as follows:

| (In millions, except employee numbers) | Employee Separation | | Plant Phase-Out Costs | | Total |
|--|---------------------|-------|-----------------------|-------------------|-------|
| | Number of Employees | Costs | Cash Closure | Asset Write-Downs | |
| Balance at December 31, 2002 | 159 | \$5.0 | \$1.5 | \$0.3 | \$6.8 |
| Utilized in 2003 | (15) | (0.9) | (0.6) | - | (1.5) |
| Reserve reversal | - | (0.3) | - | - | (0.3) |
| Balance at March 31, 2003 | 144 | \$3.8 | \$0.9 | \$0.3 | \$5.0 |

NOTE I - EMPLOYEE SEPARATION AND PLANT PHASE-OUT

PolyOne has undertaken various restructuring initiatives and incurred various employee separation and plant phase-out costs. These costs include severance, employee outplacement, external consulting, lease termination, facility closing and the write-down of the carrying value of plants and equipment. These employee separation and plant phase-out costs have been accrued and recognized as expense in the Consolidated Statements of Operations.

2003 CHARGES Operating income in the first three months of 2003 was reduced by charges of \$24.9 million (\$15.2 million after tax). Of the 2003 expense, \$20.4 million relates to the January 16, 2003 announcement to reduce approximately 400 staff personnel. The costs were for employee separation, which consisted of severance and other employee benefits. The remaining \$4.5 million relates to the March 26, 2003 announcement to exit an Engineering Films plant by the end of the second quarter of 2003. Restructuring costs related to the Engineered Films plant are projected to total \$6.3 million, of which \$2.8 million would be cash closure costs. The first quarter 2003 charge related to the plant was \$4.5 million, which primarily related to the impairment of plant and equipment and related exiting costs. See Note L for the breakdown of the first-quarter charge by segment.

2002 CHARGES Operating income in 2002 was reduced by charges of \$1.1 million (\$0.6 million after tax) for costs associated with the consolidation of certain activities related to the Formulator operations in the Performance Plastics segment. The costs were for employee separation, which consisted of severance and other employee benefits. All 43 employees were terminated in 2002.

The following table summarizes the provisions, payments and remaining reserves associated with these initiatives:

| (In millions, except employee numbers) | Employee Separation | | Plant Phase-Out Costs | | Total |
|--|---------------------|---------|-----------------------|-------------------|---------|
| | Number of Employees | Costs | Cash Closure | Asset Write-Downs | |
| Balance at December 31, 2003 | 40 | \$ 13.5 | \$ 1.1 | \$ - | \$ 14.6 |
| 2003 Charges | 400 | 24.9 | - | - | 24.9 |
| Utilized in 2003 | (392) | (9.6) | (0.9) | - | (10.5) |
| Balance at March 31, 2003 | 48 | \$ 28.8 | \$ 0.2 | \$ - | \$ 29.0 |

NOTE J - FINANCING ARRANGEMENTS

On May 6, 2003, we completed a debt refinancing. The refinancing provides the necessary liquidity to repay \$87.8 million of senior debt that matures in September 2003, as well as to support normal operations and fund previously announced restructuring initiatives intended to improve earnings. As part of this refinancing, we issued \$300 million of 10.625% unsecured senior notes that mature in 2010, entered into a new three-year \$225 million receivables sale facility and amended and restated our revolving credit facility. The new receivables sale facility replaced our former receivables sale facility. The security that had been extended in February 2003 to our existing senior notes and debentures and our guarantee of the SunBelt notes terminated as part of the debt refinancing. The 10.625% unsecured senior notes rank equally with all of our other senior unsecured indebtedness.

Also on May 6, 2003, we amended and restated our revolving credit facility. As amended and restated, it has a three-year term and provides for up to \$50.0 million in borrowings. However, the maximum amount that we may borrow will be limited to 95% of the amount that may be borrowed and secured from time to time under the revolving credit facility without triggering the security provisions of the indentures governing the existing unsecured senior notes and debentures. The amended and restated revolving credit facility makes available up to \$35.0 million for the issuance of standby letters of credit. Our obligations under the revolving credit facility are secured by substantially all of our domestic intellectual property and inventory and some of our domestic real property.

Our amended and restated revolving credit facility and our new receivables sale facility require, among other things, that we comply with interest coverage and borrowed debt-to-adjusted EBITDA earnings ratios. Further, our financing arrangements contain various restrictions and limit payments for purposes such as capital expenditures, acquisitions and dividends.

NOTE K - SALE OF ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

| (In millions) | March 31, 2003 | December 31, 2002 |
|--|-------------------|----------------------|
| | ----- | ----- |
| Trade accounts receivable | \$ 146.9 | \$ 120.1 |
| Retained interest in securitized accounts receivable | 70.8 | 56.5 |
| Allowance for doubtful accounts | (13.2) | (12.3) |
| | ----- | ----- |
| | \$ 204.5 | \$ 164.3 |
| | ===== | ===== |

As of March 31, 2003, PolyOne participated in a receivables sale program that provides liquidity through the sale of certain domestic trade accounts receivable at a cost similar to high-grade commercial paper, as noted above.

Through our former receivables sale facility, we sold undivided interests in certain domestic accounts receivable through PolyOne Funding Corporation (PFC), without recourse, to a third-party financial conduit. PFC is a wholly owned bankruptcy-remote subsidiary. At March 31, 2003, accounts receivable totaling \$266.9 million were sold to PFC, and were included as a reduction of trade accounts receivable within accounts receivable on the PolyOne Condensed Consolidated Balance Sheet. Further, at March 31, 2003, PFC had sold undivided interests in accounts receivable totaling \$196.1 million to a third-party financial conduit. PolyOne retains an interest in the \$70.8 million difference between the amount of trade receivables sold by PolyOne to PFC and the undivided interests sold by PFC to the third-party financial conduit. This interest retained by PolyOne is included in accounts receivable in the PolyOne Condensed Consolidated Balance Sheet at March 31, 2003. The third party financial conduit has a security interest in the unsold accounts receivable held by PFC. PolyOne recorded the net change in the undivided interests sold under our former receivables sale facility as operating cash flows in the Consolidated Statements of Cash Flows.

As of March 31, 2003 the accounts receivable were sold at a discount from the face amount to pay investor yield (generally LIBOR based) on the undivided interests sold to the conduit, for utilization fees (.25% of the undivided interests sold), and for program fees (.50% of the total commitment). The discount from the face amount for accounts receivable sold, net of a servicing fee, for the three months ended March 31, 2003 was \$1.3 million and was included in other expense, net, in the Consolidated Statements of Operations.

As part of the May 6, 2003 debt refinancing, previously discussed in Note J, we terminated the former program and entered into a new receivables sale facility. Under the terms of the new facility, we sell our accounts receivable to PFC. PFC in turn sells to certain purchasers an undivided interest in our receivables and realizes proceeds of up to \$225.0 million, with the maximum amount of proceeds that PFC may receive under the facility limited to 85% of the then-current amount of our eligible domestic accounts receivable. The new receivables sale facility will also make available up to \$50.0 million for the issuance of standby letters of credit, as a sub-limit within the \$225 million limit under the facility. Unlike our former receivables sale facility, this new facility does not have termination provisions tied to our senior debt rating.

Under this new arrangement, we receive the proceeds from collection of the receivables after deduction for the aggregate yield payable on the undivided interests in the receivables sold by PFC, a servicer's fee, an unused commitment fee (between 0.5% and 0.75% depending upon the amount of the unused portion of the facility), fees for any outstanding letters of credit, and an administration and monitoring fee (\$150,000/annum).

Under this new arrangement, PolyOne continues to service the underlying accounts receivable and we receive a service fee of 1% per annum on the average daily amount of the outstanding interests in our receivables. As payment of the receivables occurs, PFC purchases additional receivables from us. PolyOne, through PFC, retains the risk of credit loss on the receivables and, accordingly the full amount of the allowance for doubtful accounts has been retained in the PolyOne Condensed Consolidated Balance Sheet. The conduit has collection rights to recover payments from the receivables in the designated pool.

NOTE L - SEGMENT INFORMATION

PolyOne operates primarily in four business segments: the Performance Plastics segment, the Elastomers & Performance Additives segment, the Distribution segment, and the Resin and Intermediates segment. Inter-segment sales are accounted for at prices generally approximating those for similar transactions with unaffiliated customers and the elimination of inter-segment sales revenue is included in the "Other" segment. Certain other corporate expenses and eliminations are included in the "Other" segment. Business segment assets consist primarily of customer receivables, inventories, net property and goodwill. Cash, accounts receivable sold to a third party and certain other assets not identified with a specific segment are included in the "Other" segment.

Senior management uses operating income before special items and EBITDA (defined as operating income plus depreciation and amortization) before special items to assess performance and allocate resources to business segments. Senior

management believes such metrics are useful in its assessment of the underlying earnings power and operating cash flow of each business segment. EBITDA is a metric used by stock market analysts, financial institutions and investors. Special items include gains and losses associated with specific strategic initiatives such as restructuring or consolidation of operations, gains and losses attributable to divestment of joint ventures, and certain one-time items. Operating income before special items and EBITDA before special items are non-GAAP measures, and may not be comparable to financial performance measures presented by other companies.

(In millions)

| THREE MONTHS ENDED MARCH 31, 2003 | TOTAL | PERFORMANCE PLASTICS | ELASTOMERS & PERFORMANCE ADDITIVES |
|---|-----------|----------------------|------------------------------------|
| Sales to external customers | \$ 645.5 | \$ 417.4 | \$ 94.0 |
| Inter-segment sales | - | 30.2 | - |
| | \$ 645.5 | \$ 447.6 | \$ 94.0 |
| Operating income (loss) | \$ (16.2) | \$ (11.5) | \$ 0.3 |
| Employee separation and plant phase-out costs | 24.9 | 15.4 | 1.9 |
| Period plant phase-out costs incurred | 0.9 | 0.9 | - |
| Equity affiliate cumulative effect of a change in accounting | 0.8 | - | - |
| Operating income (loss) before employee separation, plant phase-out costs and equity affiliate change in accounting | 10.4 | 4.8 | 2.2 |
| Depreciation and amortization | 18.5 | 14.7 | 3.1 |
| EBITDA before employee separation, plant phase-out costs and equity affiliate change in accounting | \$ 28.9 | \$ 19.5 | \$ 5.3 |
| Total assets | \$2,059.7 | \$1,452.6 | \$ 265.5 |
| Capital expenditures | \$ 6.2 | \$ 5.3 | \$ 0.7 |

(In millions)

| THREE MONTHS ENDED MARCH 31, 2003 | DISTRIBUTION | RESIN AND INTERMEDIATES | OTHER |
|---|--------------|-------------------------|-----------|
| Sales to external customers | \$ 134.1 | \$ - | \$ - |
| Inter-segment sales | 1.8 | - | (32.0) |
| | \$ 135.9 | \$ - | \$ (32.0) |
| Operating income (loss) | \$ 2.2 | \$ 3.2 | \$ (10.4) |
| Employee separation and plant phase-out costs | 0.7 | - | 6.9 |
| Period plant phase-out costs incurred | - | - | - |
| Equity affiliate cumulative effect of a change in accounting | - | 0.8 | - |
| Operating income (loss) before employee separation, plant phase-out costs and equity affiliate change in accounting | 2.9 | 4.0 | (3.5) |
| Depreciation and amortization | 0.4 | 0.1 | 0.2 |
| EBITDA before employee separation, plant phase-out costs and equity affiliate change in accounting | \$ 3.3 | \$ 4.1 | \$ (3.3) |
| Total assets | \$ 164.6 | \$ 234.1 | \$ (57.1) |
| Capital expenditures | \$ 0.2 | \$ - | \$ - |

(In millions)

| THREE MONTHS ENDED MARCH 31, 2002 | TOTAL | PERFORMANCE PLASTICS | ELASTOMERS & PERFORMANCE ADDITIVES |
|---|----------|----------------------|------------------------------------|
| Sales to external customers | \$ 596.3 | \$ 386.1 | \$ 91.6 |
| Inter-segment sales | - | 20.6 | 0.1 |
| | \$ 596.3 | \$ 406.7 | \$ 91.7 |
| Operating income (loss) | \$ 4.4 | \$ 11.8 | \$ 2.3 |
| Employee separation and plant phase-out costs | 0.9 | 0.9 | - |
| Period plant phase-out costs incurred | 0.1 | 0.1 | - |
| Plant phase-out accelerated depreciation | 0.5 | 0.5 | - |
| Restructuring and plant idling costs incurred by equity affiliates* | 0.7 | - | - |
| Loss on divestiture of equity investments | 1.5 | - | - |
| Operating income (loss) before employee separation, plant phase-out costs, plant idling costs and loss on equity investment | 8.1 | 13.3 | 2.3 |
| Depreciation and amortization | 17.3 | 13.4 | 3.2 |

| | | | |
|---|------------------|----------------------------|-----------------|
| EBITDA before employee separation, plant phase-out costs, and loss on equity investment | \$ 25.4 ===== | \$ 26.7 ===== | \$ 5.5 ===== |
| Total assets | \$2,058.5 | \$1,450.6 | \$ 286.4 |
| Capital expenditures | \$ 10.5 | \$ 5.9 | \$ 1.4 |
| | | | |
| | ----- | ----- | ----- |
| | DISTRIBUTION | RESIN AND INTERMEDIATES | OTHER |
| | ----- | ----- | ----- |
| Sales to external customers | \$ 118.6 | \$ - | \$ - |
| Inter-segment sales | 1.8 | - | (22.5) |
| | ----- | ----- | ----- |
| | \$ 120.4 | \$ - | \$ (22.5) |
| | ===== | ===== | ===== |
| Operating income (loss) | \$ 1.6 | \$ (7.5) | \$ (3.8) |
| Employee separation and plant phase-out costs | - | - | - |
| Period plant phase-out costs incurred | - | - | - |
| Plant phase-out accelerated depreciation | - | - | - |
| Restructuring and plant idling costs incurred by equity affiliates* | - | 0.7 | - |
| Loss on divestiture of equity investments | - | 1.5 | - |
| | ----- | ----- | ----- |
| Operating income (loss) before employee separation, plant phase-out costs, plant idling costs and loss on equity investment | 1.6 | (5.3) | (3.8) |
| Depreciation and amortization | 0.5 | - | 0.2 |
| | ----- | ----- | ----- |
| EBITDA before employee separation, plant phase-out costs, and loss on equity investment | \$ 2.1 | \$ (5.3) | \$ (3.6) |
| | ===== | ===== | ===== |
| Total assets | \$ 142.9 | \$ 236.8 | \$ (58.2) |
| Capital expenditures | \$ 0.1 | \$ - | \$ 3.1 |

* 2002 costs include PolyOne's share of OxyVinyls' employee severance, plant phase-out costs and liabilities associated with the temporary idling of a plant in December 2001.

A breakdown of the Performance Plastics segment's sales for the three months ended March 31, 2003 and the changes versus the same period in 2002, by primary product group, is as follows:

| Three Months Ended March 31, 2003 vs. 2002 | | | |
|---|-----------------------------------|--|---|
| | 2003 Sales \$ % of Total | 2003 Sales \$ % Change vs. 2002 | 2003 Shipment Lbs. % Change vs. 2002 |
| ----- | | | |
| North American Plastics | | | |
| Compounds and Colors (PC&C): | | | |
| Vinyl Compounds | 34% | 6% | 4% |
| Colors and Additives | 11% | 6% | 13% |
| Engineered Materials | 8% | 3% | -4% |
| International PC&C | 24% | 40% | 28% |
| Specialty Resin and Formulators | 15% | - | -2% |
| Engineered Films | 8% | -4% | 2% |
| ----- | | | |
| Performance Plastics | 100% | 10% | 5% |

NOTE M - COMMITMENTS AND CONTINGENCIES

There are pending or threatened against PolyOne or our subsidiaries various claims, lawsuits and administrative proceedings, all arising from the ordinary course of business with respect to employment, commercial, product liability and environmental matters, which seek damages or other remedies. In addition, we have been named in various lawsuits involving multiple claimants and defendants relating to alleged asbestos exposure in the past by, among others, workers and their families at plants owned by us or our predecessors or on board ships owned or operated by us or our predecessors. We believe that any liability that may finally be determined should not have a material adverse effect on our consolidated financial position.

PolyOne has accrued for environmental liabilities based upon estimates prepared by our environmental engineers and consultants to cover probable future environmental expenditures related to previously contaminated sites. The accrual, totaling approximately \$53.6 million at March 31, 2003, represents our best estimate for the remaining remediation costs based upon information and technology currently available. Depending upon the results of future testing, the ultimate remediation alternatives to be undertaken, changes in regulations, new information, and other factors, it is possible that the ultimate costs to be incurred could be in excess of the accrual recorded at March 31, 2003. Our estimate of the liability may be revised as new regulations and technologies are developed or additional information is obtained. Additional information related to our environmental liabilities is included in Note P to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2002.

In connection with the formation of OxyVinyls, PolyOne has guaranteed \$42.3 million of OxyVinyls' borrowings from Occidental Petroleum Corporation. This guarantee terminates when OxyVinyls attains a defined amount of cumulative earnings before income taxes, depreciation and amortization. PolyOne also has guaranteed \$91.4 million of SunBelt's outstanding senior secured notes in connection with the construction of the chlor-alkali facility in Macintosh, Alabama. The debt and guarantee thereon mature in 2017.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PolyOne is a leading global polymer services company, which was formed on August 31, 2000 from the consolidation of The Geon Company and M.A. Hanna Company.

Below is a summary of consolidated operating results for the three-month periods ended March 31, 2003 and 2002. Also summarized are the special items included in these periods.

Summary of Consolidated Operating Results

| (In millions, except per share data) | Three Months Ended March 31, | |
|---|---------------------------------|-----------|
| | 2003 | 2002 |
| Sales | \$ 645.5 | \$ 596.3 |
| Operating income (loss) | \$ (16.2) | \$ 4.4 |
| Net loss | \$ (19.3) | \$ (57.3) |
| (Income) from discontinued operations, net of taxes | - | (0.3) |
| Cumulative effect of a change in accounting, net of taxes | - | 53.7 |
| Loss before discontinued operations and cumulative effect of a change in accounting | (19.3) | (3.9) |
| Loss per share, diluted | \$ (0.21) | \$ (0.64) |
| Loss per share before discontinued operations and cumulative effect of a change in accounting | \$ (0.21) | \$ (0.04) |
| Per share effect of excluding special costs, increase (1) | \$ 0.18 | \$ 0.03 |
| Other data: | | |
| Net cash provided (used) by: | | |
| Operating activities of continuing operations | \$ (34.6) | \$ (30.7) |
| Investing activities of continuing operations | 2.8 | (10.0) |
| Financing activities of continuing operations | 41.5 | 45.7 |
| EBITDA (2) | \$ 2.3 | \$ 22.2 |
| Reconciliation (2): | | |
| Loss before discontinued operations and cumulative effect of a change in accounting | \$ (19.3) | \$ (3.9) |
| Income tax benefit | (12.3) | (2.6) |
| Interest expense, net | 12.3 | 8.3 |
| Other expense, net | 3.1 | 2.6 |
| Depreciation and amortization | 18.5 | 17.8 |
| EBITDA | \$ 2.3 | \$ 22.2 |

(1) Special items in all years related primarily to restructuring initiatives, the sale of equity investments, and equity affiliate charge for cumulative effect of a change in accounting, and are summarized and explained in the table that follows.

(2) EBITDA is defined as income before discontinued operations and cumulative effect of a change in accounting, income taxes, net interest expense, net other expense and depreciation and amortization expense. EBITDA excludes net other expense because the financing cost of the receivables sale facility is the largest component. EBITDA is a non-GAAP measure and should not be considered an alternative to any other measure of performance in accordance with GAAP. PolyOne presents EBITDA because management believes that EBITDA could be useful for investors in assessing our operating performance and our performance relative to our financial obligations. Additionally, EBITDA is a measure commonly used by financial analysts because of its usefulness in evaluating operating performance. EBITDA, as used by PolyOne, is not necessarily comparable with similarly titled measures of other companies. The table above presents a reconciliation from loss before discontinued operations and cumulative effect of a change in accounting to EBITDA.

Summary of Special Items
(In millions)

| | Three Months Ended March 31, | |
|--|---------------------------------|----------|
| | 2003 | 2002 |
| Employee separation and plant phase-out cost (1) | \$ (24.9) | \$ (0.9) |
| Period plant phase-out costs incurred (2) | (0.9) | (0.1) |
| Equity affiliate - employee severance, liabilities associated with the temporary idling of a plant and cumulative effect of a change in accounting (3) | (0.8) | (0.7) |
| Loss on divestiture of equity investment (4) | - | (1.5) |
| Subtotal - impact on EBITDA (expense) | (26.6) | (3.2) |
| Plant phase-out accelerated depreciation (2) | - | (0.5) |
| Total - impact on operating (expense) and pre-tax (expense) | (26.6) | (3.7) |
| Income tax benefit | 10.4 | 1.4 |
| Total after-tax (expense) before discontinued operations and cumulative effect of a change in accounting | \$ (16.2) | \$ (2.3) |

(1) These costs include severance, employee outplacement, external outplacement consulting, lease termination, facility closing costs and the write-down of the carrying value of plants and equipment related to restructuring initiatives. The 2003 expense relates to the January 16, 2003 announcement to reduce approximately 400 staff personnel and the March 26, 2003 announcement to exit an Engineering Films plant. The 2002 expense was associated with the consolidation of certain activities related to the Formulator operations in the Performance Plastics business segment.

(2) These are plant phase-out costs associated with the 2001 Geon restructuring initiatives that are to be recognized as period costs versus when the restructuring initiative was approved. In connection with the acquisition of Hanna and resulting formation of PolyOne, management developed several initiatives to capture the strategic value of the combined former Geon and former Hanna businesses. Included in the initiatives was the closing of excess manufacturing capacity of the Elastomers business and establishing centers of manufacturing excellence within the North American Plastics Compounds and Colors operations. This resulted in several announcements in 2001 that former Geon plants and Hanna plants would be closed. The initiatives also included the termination of corporate and other positions at Geon and former Hanna locations. These plans and activities related to the former Geon plants and personnel were finalized and approved during 2001.

(3) The 2003 expense relates to the cumulative effect of a change in accounting upon OxyVinyls' adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations." The 2002 costs include PolyOne's share of OxyVinyls' employee severance, plant phase-out costs and liabilities associated with the temporary idling of a plant in December 2001.

(4) Includes the 2002 first quarter loss on our divestiture of our 37.4% investment in the PVC resin operations of Australian Vinyls Corporation and we recognized a loss on the divestiture of the investment.

TOTAL COMPANY REPORTED RESULTS

The weakness in the manufacturing sector of the U.S. economy continued in the first quarter of 2003. The U.S. industrial manufacturing economic index (excluding high technology) for the first quarter of 2003 was slightly below the same quarter in 2002 and the previous quarter. The 2003 first quarter U.S. industrial manufacturing economic index (excluding high technology) was approximately 8% below the peak in the second quarter of 2000.

Europe realized minimal economic growth in the first quarter of 2003 versus a current forecast for the year of approximately 1%. In Asia, 2003 economic growth continues at a strong pace although some forecasts are being revised downward due in part to the SARS illness.

First quarter 2003 sales of \$645.5 million were \$49.2 million, or 8%, higher than first quarter 2002, representing the first year-over-year quarterly sales increase of over 1% since the U.S. economic slowdown began in the third quarter 2000. All business segments reported sales increases in the first quarter of 2003 compared to the same period a year ago. The International Plastic Compounds and Colors product group within the Performance Plastics segment realized a 40% sales increase in the first quarter 2003, which included the effects of the December 2002 Transcolor acquisition and currency translation. Excluding the effects of the Transcolor acquisition and currency translation, the International Plastic Compounds and Colors product group's sales increase was 6% and for PolyOne in total the sales increase in the first quarter 2003 compared to the first quarter 2002 was 4%.

PolyOne reported an operating loss of \$16.2 million for the first quarter 2003, a decrease of \$20.6 million over the same period last year. In the first quarter, EBITDA was \$2.3 million in 2003 and \$22.2 million in 2002. Exceeding the decrease in EBITDA was the 2003 increased costs of special items of \$23.4 million between the quarters. The special items in the periods primarily relate to restructuring initiatives, loss on the sale of an equity investment and a change in an equity affiliate's accounting. The 2003 first quarter \$3.5 million increase in EBITDA before special items was a result of a \$9.4 million increase in the Resin and Intermediates (R&I) business segment, which was partially offset by a \$7.2 million decrease in the Performance Plastics business segment. Within PolyOne's consolidated businesses (all business segments excluding R&I), lower product material margins, particularly in vinyl compounds and specialty resins, more than offset benefits from the previously announced strategic value capture initiatives, which included approximately \$3 million in selling and administrative cost savings from the staff reductions announced in January 2003 and the incremental margin on increased sales. In comparing the first quarter 2003 versus first quarter 2002, the strategic value capture initiatives are estimated to have contributed \$23 million to pre-tax earnings, of which \$5 million was from growth efforts and approximately \$18 million from cost reduction programs. The largest cost reductions came from the initiatives to restructure our North American manufacturing operations and material sourcing programs.

Interest expense in the first quarter 2003 of \$12.5 million increased \$4 million compared to the same quarter in 2002. Impacting 2003 interest expense was the second quarter 2002 issuance of \$200 million of 8.875% senior debt, net of the debt retired upon issuance, offset by reduced average amounts outstanding under the revolver in 2003 compared to 2002.

The effective income tax rate benefit for the first quarter 2003 was 39% compared with a benefit of 40% for the first quarter 2002. The difference in the effective benefits for the quarter is principally due to lower foreign income taxes.

The first quarter 2003 net loss was \$19.3 million versus a net loss of \$57.3 million in the first quarter of 2002. The first quarter 2002 net loss included an after-tax charge for the cumulative effect of a change in accounting of \$53.7 million and income of \$0.3 million from discontinued operations. The first quarter 2003 loss included special charges of \$16.2 million compared to the first quarter 2002 charges of \$2.3 million.

BUSINESS SEGMENT INFORMATION

Senior management uses operating income before special items and EBITDA before special items to assess performance and allocate resources to business segments. For a reconciliation from operating income to operating income before special items to EBITDA before special items and EBITDA to EBITDA before special items, see the following table. Operating income before special items and EBITDA before special items are non-GAAP measures and should not be considered an alternative to any other measure of performance in accordance with GAAP. Senior management presents operating income before special items and EBITDA before special items when discussing the results of operations of the business segments because senior management believes such measures are useful in assessing the underlying earnings power and operating cash flows of each business segment. Special items include gains and losses associated with the specific strategic initiatives such as restructuring or consolidation of operations, gains and losses attributable to divestment of joint ventures, and certain one-time items. Accordingly, senior management believes that excluding special items provides insight into the underlying results of operations of each of PolyOne's business segments. Operating income before special items and EBITDA before special items may not be comparable to financial performance measures presented by other companies.

| (In millions) | Three Months Ended March 31, | |
|---|---------------------------------|----------|
| | 2003 | 2002 |
| Sales: | | |
| Performance Plastics | \$ 447.6 | \$ 406.7 |
| Elastomers & Performance Additives | 94.0 | 91.7 |
| Distribution | 135.9 | 120.4 |
| Resin and Intermediates | - | - |
| Other | (32.0) | (22.5) |
| | ----- | ----- |
| | \$ 645.5 | \$ 596.3 |
| | ===== | ===== |
| EBITDA before special items: | | |
| Performance Plastics | \$ 19.5 | \$ 26.7 |
| Elastomers & Performance Additives | 5.3 | 5.5 |
| Distribution | 3.3 | 2.1 |
| Resin and Intermediates | 4.1 | (5.3) |
| Other | (3.3) | (3.6) |
| | ----- | ----- |
| | \$ 28.9 | \$ 25.4 |
| | ===== | ===== |
| Operating income (loss) before special items: | | |
| Performance Plastics | \$ 4.8 | \$ 13.3 |
| Elastomers & Additives | 2.2 | 2.3 |
| Distribution | 2.9 | 1.6 |
| Resin and Intermediates | 4.0 | (5.3) |
| Other | (3.5) | (3.8) |
| | ----- | ----- |
| | \$ 10.4 | \$ 8.1 |
| | ===== | ===== |
| Reconciliation: | | |
| Operating income (loss) | \$ (16.2) | \$ 4.4 |
| Special items, expense | 26.6 | 3.7 |
| | ----- | ----- |
| Operating income before special items | 10.4 | 8.1 |
| Depreciation and amortization | 18.5 | 17.8 |
| Accelerated depreciation in special items | - | (0.5) |
| | ----- | ----- |
| EBITDA before special items | \$ 28.9 | \$ 25.4 |
| | ===== | ===== |
| EBITDA | \$ 2.3 | \$ 22.2 |
| Impact of special items, expense | 26.6 | 3.2 |
| | ----- | ----- |
| EBITDA before special items | \$ 28.9 | \$ 25.4 |
| | ===== | ===== |

COMMENTARY ON BUSINESS SEGMENT OPERATING RESULTS

PERFORMANCE PLASTICS had first quarter 2003 sales of \$447.6 million, an increase of \$40.9 million or 10%, over the first quarter 2002. Excluding foreign currency impacts and the Transcolor acquisition, this increase was \$15.1 million, or 4%. A breakdown of the 2003 first quarter segment sales, by primary product group, is as follows:

| Three Months Ended March 31, 2003 vs. 2002 | | | |
|---|----------|--------------|---------------|
| | 2003 | 2003 | 2003 |
| | Sales \$ | Sales \$ | Shipment Lbs. |
| | % of | % Change vs. | % Change |
| | Total | 2002 | vs. 2002 |
| North American Plastics | | | |
| Compounds and Colors (PC&C): | | | |
| Vinyl Compounds | 34% | 6% | 4% |
| Colors and Additives | 11% | 6% | 13% |
| Engineered Materials | 8% | 3% | -4% |
| International PC&C | 24% | 40% | 28% |
| Specialty Resin and Formulators | 15% | - | -2% |
| Engineered Films | 8% | -4% | 2% |
| Performance Plastics | 100% | 10% | 5% |

Leading the 2003 first quarter sales growth was the International PC&C product group. The International PC&C group sales increase benefited \$10.4 million from the December 2002 acquisition of Transcolor and approximately \$15.4 million from favorable Euro to U.S. dollar currency exchange. Before the effects of the Transcolor acquisition and currency translation, the 2003 first quarter International PC&C sales were 6% above the 2002 first quarter. The increased Vinyl Compound sales were primarily due to increased demand in the dry blend and pipe & fittings market and a 2% increase in the average sales price. The North America Colors and Additives sales growth was largely attributable to increased sales of general purpose color products, specifically those sold into the pipe & fittings and film markets. The lower 2003 first quarter sales for Engineered Films was primarily the result of lower automotive sales due to changes in platform programs partially offset by increases in custom films from new products. EBITDA before special items in the first quarter 2003 was \$19.5 million, a decrease of \$7.2 million compared to the first quarter 2002. The decrease in EBITDA before special items resulted from margin compression in Vinyl Compounds, Specialty Resins and Engineered Films due to the impact of higher PVC resin and VCM costs and was partially offset by the incremental margin on increased sales and lower costs from restructuring initiatives. The first quarter 2003 U.S. industry average PVC resin selling price was approximately 11.5 cents per pound, or nearly 50% above the same period in 2002.

ELASTOMERS & PERFORMANCE ADDITIVES sales were \$94.0 million in the first quarter 2003, a \$2.3 million increase compared to the same quarter in 2002. In the first quarter 2003 compared to the first quarter 2002, compounding sales increased \$3.1 million, primarily due to growth in captive conversion, partially offset by small sales decreases in rolls and performance additives.

EBITDA before special items in the first quarter 2003 was \$5.3 million, or \$0.2 million below the same quarter in 2002. The incremental margin from increased sales was offset by lower average margins resulting from product mix, competitive price reductions and energy related higher raw material costs.

DISTRIBUTION sales in the first quarter 2003 were \$135.9 million, 13% higher than the same quarter in 2002. The sales improvement resulted largely from using our Distribution business segment for small-volume sales of our vinyl compounds instead of relying on a third-party distributor.

EBITDA before special items in the first quarter 2003 was \$3.3 million, \$1.2 million above first quarter 2002. The 2003 increased EBITDA before special items was primarily due to the incremental margin on higher sales and to lower selling and administrative costs, partially offset by lower material margins. While product selling prices in general have increased, they have not yet kept pace with material cost increases, particularly for commodity resins and vinyl compounds.

RESIN AND INTERMEDIATES EBITDA before special items, consisting of equity income from joint ventures, allocated overhead support cost and costs associated with past operations, was \$4.1 million for the first quarter 2003, \$9.4 million higher than the first quarter 2002. PolyOne's share of equity earnings before special items in the first quarter 2003 compared to the first quarter 2002 increased from OxyVinyls and SunBelt by \$3.5 million and \$5.4 million, respectively.

OxyVinyls first quarter 2003 versus first quarter 2002 earnings benefited from higher average industry PVC resin selling prices of approximately 11.5 cents per pound. However, much of the benefit from higher resin selling prices was offset by increased ethylene and chlorine costs. The net result was an increase of approximately 2.5 cents per pound in the average industry spread of resin selling prices over ethylene and chlorine costs. The run-up in higher natural gas costs in the first quarter 2003, which averaged \$3.85 per million BTU's above the same quarter in 2002, offset a portion of the improved resin spread. The SunBelt earnings improvement was primarily driven by an increase in the selling price of chlorine of approximately \$180 per ton in the first quarter 2003 versus the same period a year ago.

OTHER consists primarily of corporate governance costs that are not allocated to business segments and inter-segment profit elimination. EBITDA before special items was an expense of \$3.3 million in the first quarter 2003 compared to \$3.6 million of expense in the same quarter of 2002.

CASH FLOWS

For the first three months of 2003, operating activities utilized \$34.6 million of cash, driven by a seasonal increase in sales that resulted in a \$57.8 million increase in commercial working capital (trade accounts receivable before receivables sold, FIFO inventories and accounts payable) and by cash restructuring costs of \$12.0 million. Also providing cash was \$36.2 million increase in the level of receivables sold during the quarter.

Investing activities for the first three months of 2003 provided \$2.8 million, consisting primarily of the proceeds from the sale of an equity affiliate, offset by capital expenditures and the final funding related to the acquisition of Transcolor.

Cash provided by financing activities during the first three months of 2003 was \$41.5 million primarily reflecting borrowings made on the revolving credit facility. No dividends were paid in the first quarter 2003.

CAPITAL RESOURCES AND LIQUIDITY

As of March 31, 2003, we had existing facilities to access capital resources (former receivables sale facility, revolving credit facility, uncommitted short-term credit lines and senior unsecured notes and debentures) totaling approximately \$966 million. As of March 31, 2003, we had utilized approximately \$822 million of these facilities (long-term debt of \$589.3 million, short-term debt of \$36.1 million, capital leases of \$0.2 million and receivables sold of \$196.1 million), including \$571.1 million of senior unsecured notes and debentures, of which \$87.8 million is payable in September 2003 and, therefore, is classified as a current liability.

Of the capital resource facilities available to us as of March 31, 2002, only the portion of the receivables sale facility that was actually sold provided security in connection with the transfer of ownership of these receivables. Each indenture governing our senior unsecured notes and debentures and our guarantee of the SunBelt notes allows for a specific level of secured debt, above which security must be provided on each such indenture. The former receivables sale facility did not constitute debt under our senior unsecured notes and debentures. As of March 31, 2003, we had guaranteed unconsolidated equity affiliate debt of \$91.4 million for SunBelt and \$42.3 million for OxyVinyls. The OxyVinyls guarantee is expected to expire in the second quarter 2003.

On May 6, 2003, we completed a debt refinancing. The refinancing provides the necessary liquidity to repay \$87.8 million of senior debt that matures in September 2003, as well as to support normal operations and fund previously announced restructuring initiatives intended to improve earnings. As part of this comprehensive refinancing, we issued \$300 million of 10.625% unsecured senior notes, entered into a new three-year \$225 million receivables sale facility and amended and restated our revolving credit facility. The new receivables sale facility replaced our former receivables sale facility. The security that had been extended in February 2003 to our existing senior notes and debentures and our guarantee of the SunBelt notes terminated as part of the debt refinancing. The 10.625% unsecured senior notes rank equally with all of our other senior unsecured indebtedness.

On May 6, 2003, we amended and restated our revolving credit facility. As amended and restated, it has a three-year term and provides for up to \$50.0 million in borrowings. However, the maximum amount that we may borrow will be limited to 95% of the amount that may be borrowed and secured from time to time under the revolving credit facility without triggering the security provisions of the indentures governing the existing senior unsecured notes and debentures. The amended and restated revolving credit facility makes available up to \$35.0 million for the issuance of standby letters of credit. Our obligations

under the revolving credit facility are secured by substantially all of our domestic intellectual property and inventory and some of our domestic real property.

Our amended and restated revolving credit facility and our new receivables sale facility require, among other things, that we comply with interest coverage and borrowed debt-to-adjusted EBITDA earnings ratios. Further, our financing arrangements limit payments for purposes such as capital expenditures, acquisitions and dividends. The following table summarizes the defined financial covenant ratios for the remainder of 2003 under the amended and restated revolving credit facility and the new receivables sale facility:

| | Interest Coverage Ratio (Minimum) | Borrowed Debt-to Adjusted EBITDA Ratio (Maximum) |
|------------------------|---|--|
| | ----- | ----- |
| Agreement compliance | | |
| Second quarter of 2003 | None | None |
| Third quarter of 2003 | 1.00 | 11.00 |
| Fourth quarter of 2003 | 1.00 | 9.00 |

On May 6, 2003, we terminated our former receivables sale facility and entered into a new receivables sale facility. Under the terms of the agreement governing the new facility, we are allowed to sell accounts receivable and realize proceeds of up to \$225.0 million. However, the maximum amount of proceeds that we may receive is limited to 85% of the amount of eligible domestic accounts receivable sold. The new receivables sale facility also makes available up to \$50.0 million for the issuance of standby letters of credit. Although our former receivables sale facility contained a provision that would allow the purchasers of the accounts receivable to terminate the facility if our senior debt ratings fell below specified levels, the new receivables sale facility does not contain such a provision.

The effective available funds under the new or revised facilities can vary, depending on the level of qualified receivables outstanding, and debt-related financial ratios. As of May 6, 2003, after giving effect to the completed debt refinancing and related uses of proceeds in May 2003, approximately \$130 million of the existing capital resource facilities were available and not yet drawn.

The realization of profitable operations will be important to (1) maintaining the existing levels of available capital resources, (2) executing our announced restructuring initiatives, and (3) repaying and/or refinancing any existing obligations as they come due. In 2002, EBITDA was \$111.4 million and special items included in EBITDA were expense of \$12.2 million. Together, EBITDA and special items totaled approximately \$124 million. In the first quarter of 2003, EBITDA was \$2.3 million and special items included in EBITDA were expense of \$26.6 million. Together, EBITDA and special items totaled \$28.9 million, or \$3.5 million above the comparable amount for the first quarter of 2002. The value capture initiatives and the 2003 reduction in selling and administrative costs, net of 2003 estimated specific program cost increases, are projected to increase the 2003 cash flow of operations by between \$57 million and \$77 million. EBITDA must cover expenditures for financing costs (interest expense and discount on sale of accounts receivable, which are projected to be approximately \$72 million in 2003), spending associated with restructuring, capital expenditures and cash to fund sales growth through increased working capital requirements. Cash spending for the previously announced restructuring programs (North American Plastic Compounds and Colors manufacturing improvements, business unit initiatives and the recent selling and administrative cost-reduction program) are projected to be between \$40 million and \$45 million for 2003. Additionally, on March 26, 2003, we announced that we intend to exit our Yerington, Nevada Engineered Films plant. If we are unable to quickly sell this plant, our plant closure costs are projected to be approximately \$2.7 million. Capital expenditures for 2003 are projected to be approximately \$50 million. In December 2002, we announced that we would discontinue the payment of dividends commencing in the first quarter of 2003.

We currently estimate minimum funding requirements for our qualified defined benefit pension plans of approximately \$1 million in 2003 and \$5 million in 2004. Market asset performance in 2003 will impact the final minimum funding requirements in 2005. As of December 31, 2002, we decreased by 25 basis points our assumption regarding the long-term rate of return on pension assets to 8.75%. An 8.75% return on assets in 2003, combined with the minimum contributions required in 2003 and 2004, would produce a projected minimum funding requirement by September 15, 2005 of approximately \$45 million (each 1% return on asset variance in 2003 from 8.75% impacts the 2005 minimum funding by approximately \$1 million). However, we intend to continue funding in excess of the minimum required for the qualified defined benefit pension plans during calendar 2003 and 2004, which would reduce any otherwise required funding by September 15, 2005.

Based on our current projected operations, our management believes that we should be able to continue to manage and control working capital, discretionary spending and capital expenditures, and that cash flow that we generate from operations, along with borrowing capacity under our revised revolving credit facility and our new receivables sale facility, will be adequate to fund our operations and meet our debt service requirements for the foreseeable future.

ACCOUNTING POLICIES AND ESTIMATES

Note C of the 2002 Annual Consolidated Financial Statements contains a summary of PolyOne's accounting policies and commentary on the nature of estimates made in the preparation of the financial statements. Following is a description of important management judgments relating to the PolyOne 2002 Annual Consolidated Financial Statements and the Quarterly Condensed Consolidated Financial Statements for the three-month period ended March 31, 2003 (Unaudited).

ENVIRONMENTAL ACCRUED LIABILITY. PolyOne has accrued \$53.6 million to cover future environmental remediation expenditures, and believes none of these matters, either individually or in the aggregate, should have a material adverse effect on its capital expenditures, earnings, cash flow or liquidity. The accrual represents PolyOne's best estimate of the remaining probable remediation costs based upon information and technology currently available. For additional discussion, refer to Note P to the Annual Consolidated Financial Statements and to Note M to the Quarterly Condensed Consolidated Financial Statements.

RESTRUCTURING COSTS. In 2001, PolyOne announced several manufacturing improvements and restructuring plans to close 17 U.S. and Canadian facilities. As of December 31, 2002, all but four of these facilities had been closed. In January 2003, we decided to continue operating the fourth facility. Accordingly, in the first quarter of 2003, the reserve of approximately \$0.3 million associated with this facility (which relates to an acquired business) was reversed and recognized as a reduction to goodwill of the acquired business. The three remaining facilities are projected to cease operations by mid-2003. As of March 31, 2003, an accrued liability of \$34.0 million existed for future employee severance and plant closing costs. In addition, as of March 31, 2002, the net property carrying value to be realized for the plants closed or to be closed was \$10.8 million (some assets will be transferred to other locations as production ceases).

EQUITY INVESTMENT. In December 2001, OxyVinyls, of which PolyOne owns 24% interest, announced the temporary idling of its Deer Park, Texas, chlor-alkali plant due to low industry capacity utilization and low product market selling prices. As of December 31, 2001, OxyVinyls had accrued \$13.8 million for future employee severance and liabilities associated with the temporary idling of the Deer Park plant. In 2002, OxyVinyls recognized an additional \$2.2 million of expense associated with the temporary plant idling, plus an additional expense of \$17.0 million in the third quarter related to the permanent closing of specific production assets included in the idled plant. The permanent closing costs included \$14.5 million for the impairment of the fixed assets as well as \$2.5 million for decommissioning costs. As of March 31, 2003, OxyVinyls had a remaining accrual of \$3.1 million for future employee severance liabilities and decommissioning costs. The plant had a net property carrying value by OxyVinyls at March 31, 2003 of approximately \$120.7 million, which is anticipated to be realized through future operations upon the restart of the plant. Although chlorine demand in all major market segments increased steadily in 2002, particularly vinyl chloride monomer (VCM), domestic demand for co-product caustic soda was flat year over year and exports from the U.S. declined. In the first quarter of 2003, selling prices of chlorine remained generally in line with the previous quarter while caustic soda selling prices increased modestly from historically low levels. OxyVinyls will maintain the Deer Park chlor-alkali plant in a standby mode pending further strengthening in overall economic conditions and improved demand for caustic soda.

GOODWILL. As of March 31, 2003, PolyOne's recorded goodwill totaled \$444.1 million. During the first quarter of 2003, we recorded a reduction to goodwill of \$0.3 million for the reversal of a business combination reserve associated with a facility no longer being closed. This reduction was offset by an increase to goodwill due to currency translation. We intend to complete our 2003 annual impairment test for goodwill during the third quarter of 2003.

DEFERRED TAX BENEFIT FOR OPERATING LOSS CARRYFORWARDS. As of March 31, 2003, PolyOne had a net deferred tax asset of \$18.1 million, which included a deferred tax asset of \$109.2 million for operating loss carryforwards for tax purposes. The tax benefit recorded in the first quarter included a benefit of \$15.1 million related to domestic losses because PolyOne is forecasting income for the year 2003 and therefore, no additional valuation allowance is deemed necessary at this time. The operating loss carryforwards are expected to be utilized against future earnings, thereby reducing taxes that would otherwise be paid. See the discussion in Note R to the Annual Consolidated Financial Statements.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

In this 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 our 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. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They use words such as "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. In particular, these include statements relating to future actions, prospective changes in raw material costs or product pricing or product demand, future performance or results of current and anticipated market conditions and market strategies, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results. Among the factors that could cause actual results to differ materially are the following:

- an inability to achieve or delays in achieving estimated and actual savings related to consolidation and restructuring programs
- delays in achieving or inability to achieve our strategic value capture initiatives, including cost reduction and employee productivity goals, or achievement of less than the anticipated financial benefit from the initiatives
- the effect on foreign operations of currency fluctuations, tariffs, nationalization, exchange controls, limitations on foreign investment in local businesses and other political, economic and regulatory risks
- changes in U.S., regional or world polymer and/or rubber consumption growth rates affecting our markets
- 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 we participate
- fluctuations in raw material prices, quality and supply and in energy prices and supply; in particular, fluctuations outside the normal range of industry cycles
- production outages or material costs associated with scheduled or unscheduled maintenance programs
- costs or difficulties and delays related to the operation of joint venture entities
- lack of day-to-day operating control, including procurement of raw materials, of equity or joint venture affiliates
- partial control over investment decisions and dividend distribution policy of the OxyVinyls partnership and our other minority equity holdings
- an inability to launch new products and/or services that strategically fit our businesses
- the possibility of goodwill impairment
- an inability to maintain any required licenses or permits
- an inability to comply with any environmental laws and regulations
- a delay or inability to achieve targeted debt levels through divestitures or other means

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. You are advised, however, to consult any further disclosures we make on related subjects in our Forms 10-Q, 8-K and 10-K reports to the Securities and Exchange Commission. You should understand that it is not possible to predict or identify all such 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

PolyOne is exposed to market risk from changes in foreign currency exchange rates. Information related to this risk and our management of the exposure is included in "Management's Analysis - Consolidated Statements of Cash Flows" in the 2002 Annual Report under the caption "Market Risk Disclosures" included in our Annual Report on Form 10-K. There have been no material changes in the market risk faced by us from December 31, 2002 to March 31, 2003. We have updated the disclosure concerning our financing arrangements, which is included in Note K in this form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-14(c) and 15d-14(c) under the Exchange Act, as of a date (the "Evaluation Date") within 90 days prior to the filing date of this report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us (or our consolidated subsidiaries) required to be included in our periodic SEC filings.

(b) Changes in internal controls.

There were no significant changes made in our internal controls during the period covered by this report or, to our knowledge, in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

The following information is being provided under Item 11 of Form 8-K, pursuant to SEC Release Nos. 33-8216; 34-47583 (03/27/03):

(a) Information specified under 17 C.F.R. 240.104(b):

- (i) The Registrant's retirement savings plans will be subject to blackout periods to allow for the change of administrators.
- (ii) All investment allocations, contribution levels, loan requests, distributions and withdrawals and any other transactions or changes in the participants' individual accounts will be temporarily suspended during the blackout periods.
- (iii) The registrant's common stock is the registrant's equity security subject to the blackout periods, in addition to all other investment options available under the plans.
- (iv) The blackout periods for the four plans commence on May 24, 2003; May 24, 2003; May 27, 2003; and May 30, 2003, respectively, and end on June 30, 2003 for all four plans. Participants in all four plans were advised that May 13, 2003 is the last date on which participant's could change their allocation to the registrant's common stock fund in order for the change to take effect as soon as administratively possible after June 1, 2003.

(b) To registrant's knowledge, registrant received no notice under section 101(i)(2)(E) of the Employment Retirement Income Security Act of 1974 (29 U.S.C. 1021(i)(2)(E)).

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

| Exhibit No. Under Reg. S-K, Item 601 | Form 10-Q Exhibit No. | Description of Exhibit |
|--|--------------------------|--|
| (4) | 4.1 | Indenture, dated May 6, 2003, by and between PolyOne Corporation, as issuer, and The Bank of New York, as trustee, including the form of PolyOne's 10 5/8% Senior Notes due May 15, 2010 is incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 as filed with the Securities and Exchange Commission on May 9, 2003 (Reg. No. 333-105125) |
| (10) | 10.1 | \$50 million Five Year Credit Agreement dated October 30, 2000, among PolyOne Corporation, Citicorp USA, Inc. and the other banks signatory thereto, as amended and restated as of May 6, 2003 |
| (10) | 10.2 | U.S. \$225 million Trade Receivables Purchase Agreement, dated as of May 6, 2003 among PolyOne Funding Corporation, as the Seller, PolyOne Corporation, as the Servicer, the Banks and other Financial Institutions party thereto, as Purchasers, Citicorp USA, Inc. as the Agent, and National City Commercial Finance, Inc., as the Syndication Agent |
| (10) | 10.3 | Registration Rights Agreement, dated as of May 6, 2003, by and among PolyOne Corporation and Citigroup Global Markets Inc., as representative of the initial purchasers, is incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-4 as filed with the Securities and Exchange Commission on May 9, 2003 (Reg. No. 333-105125) |
| (99) | 99.1 | Certificate of Thomas A. Waltermire, Chairman of the Board, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350 |
| (99) | 99.2 | Certificate of W. David Wilson, Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 |

(b) Reports on Form 8-K from January 1, 2003 through March 31, 2003:

- Form 8-K filed on January 15, 2003 announced a press release dated January 15, 2003, whereby we announced steps to reduce our cost structure, including the elimination of approximately 400 salaried positions.
- Form 8-K filed on January 16, 2003 announced a press release dated January 15, 2003, whereby we had completed the funding of our December 19, 2002 acquisition of Transformacion de Pigmentos y Colorantes, S.A. (TRANSCOLOR), a large color concentrates producer operating near Pamplona in northern Spain.
- Form 8-K filed on January 31, 2003 announced a press release dated January 30, 2003, whereby we announced our earnings for the 2002 fourth quarter and full year.
- Form 8-K filed on February 18, 2003 announced a press release dated February 14, 2003, whereby we announced that we had created an alliance to market electrostatic dissipative compounds for the electronics industry with Noveon, Inc.
- Form 8-K filed on March 25, 2003 announced a press release dated March 24, 2003, whereby we announced that we had begun negotiations to replace our existing receivables sale facility following the March 21, 2003 downgrade of our senior debt by Moody's Investor Services.
- Form 8-K filed on March 28, 2003 announced a press release dated March 26, 2003, whereby we announced our intention to close our Engineered Films plant in Yerington, Nevada by the end of the second quarter of 2003.

SIGNATURES

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.

May 15, 2003

POLYONE CORPORATION

/s/ W. David Wilson

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

/s/ Gregory P. Smith

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

CERTIFICATION

I, Thomas A. Waltermire, Chairman of the Board, President and Chief Executive Officer of PolyOne Corporation ("registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 15, 2003

/s/ Thomas A. Waltermire

Thomas A. Waltermire
Chairman of the Board, President and
Chief Executive Officer

CERTIFICATION

I, W. David Wilson, Vice President and Chief Financial Officer of PolyOne Corporation ("registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 15, 2003

/s/ W. David Wilson

W. David Wilson
Vice President and Chief Financial
Officer

POLYONE CORPORATION
Index to Exhibits

| EXHIBIT | DESCRIPTION |
|---------|--|
| 4.1 | Indenture, dated May 6, 2003, by and between PolyOne Corporation, as issuer, and The Bank of New York, as trustee, including the form of PolyOne's 10 5/8% Senior Notes due May 15, 2010 is incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 as filed with the Securities and Exchange Commission on May 9, 2003 (Reg. No. 333-105125) |
| 10.1 | \$50 million Five Year Credit Agreement dated October 30, 2000, among PolyOne Corporation, Citicorp USA, Inc. and the other banks signatory thereto, as amended and restated as of May 6, 2003 |
| 10.2 | U.S. \$225 million Trade Receivables Purchase Agreement, dated as of May 6, 2003 among PolyOne Funding Corporation, as the Seller, PolyOne Corporation, as the Servicer, the Banks and other Financial Institutions party thereto, as Purchasers, Citicorp USA, Inc. as the Agent, and National City Commercial Finance, Inc., as the Syndication Agent |
| 10.3 | Registration Rights Agreement, dated as of May 6, 2003, by and among PolyOne Corporation and Citigroup Global Markets Inc., as representative of the initial purchasers, is incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-4 as filed with the Securities and Exchange Commission on May 9, 2003 (Reg. No. 333-105125) |
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| 99.2 | Certificate of W. David Wilson, Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 |

U.S. \$50,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of May 6, 2003

Among

POLYONE CORPORATION
as Borrower

and

THE INITIAL LENDERS NAMED HEREIN
as Initial Lenders

and

CITICORP USA, INC.
as Administrative Agent

and

NATIONAL CITY COMMERCIAL FINANCE, INC.
as Syndication Agent

and

KEYBANK NATIONAL ASSOCIATION
as Documentation Agent

and

CITIGROUP GLOBAL MARKETS, INC.
as Sole Lead Arranger

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AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of May 6, 2003

AMENDED AND RESTATED CREDIT AGREEMENT dated as of May 6, 2003 among POLYONE CORPORATION, an Ohio corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") and initial issuing banks (the "Initial Issuing Banks") listed on the signature pages hereof, CITIGROUP GLOBAL MARKETS INC., as sole lead arranger, NATIONAL CITY COMMERCIAL FINANCIAL, INC., as syndication agent, KEYBANK NATIONAL ASSOCIATION, as documentation agent, and CITICORP USA, INC. ("Citicorp"), as administrative agent (the "Agent") for the Lenders (as hereinafter defined).

PRELIMINARY STATEMENT:

The Borrower, certain lenders and the Agent are parties to a Five-Year Credit Agreement dated as of October 30, 2000, as amended and restated as of March 28, 2002 and as further amended by Amendment No. 1 dated as of December 26, 2002 (such Credit Agreement, as so modified, the "Existing Credit Agreement"). Subject to the satisfaction of the conditions precedent set forth in Section 3.01, the Borrower and the Initial Lenders have agreed to amend the Existing Credit Agreement in full to read as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

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

"Adjusted EBITDA" means EBITDA of the Borrower 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.

"Advance" means an advance by a Lender to any Borrower as part of a Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Advance).

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or, if such Person is the Borrower, 15%, or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means the account of the Agent maintained by the Agent at Citicorp at its office at 388 Greenwich Street, New York, New York 10013, Account No. 36852248, Attention: Bank Loan Syndications or such other account of the Agent as is designated in writing from time to time by the Agent to the Borrower and the Lenders for such purpose.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"Applicable Margin" means, as of any date of determination, a rate per annum determined by reference to the Performance Level applicable on such date as set forth below:

| PERFORMANCE LEVEL | APPLICABLE MARGIN FOR BASE RATE ADVANCES | APPLICABLE MARGIN FOR EURODOLLAR RATE ADVANCES |
|-------------------|--|--|
| I | 1.75% | 2.75% |
| II | 2.00% | 3.00% |
| III | 2.50% | 3.50% |

The Applicable Margin shall be adjusted (if necessary) upward or downward as of the first day of each fiscal quarter to reflect the Performance Level as of the last day of the immediately preceding fiscal quarter; provided that if such compliance certificate is delivered after the first day of a fiscal quarter, such adjustment shall be made on the first day following the delivery of such compliance certificate and shall be deemed to have become effective as of the first day of such fiscal quarter.

"Applicable Percentage" means, for any fiscal quarter, a rate per annum determined by reference to a fraction, expressed as a decimal, (a) the numerator of which is the average daily amount of the Advances plus the Available Amount of Letters of Credit outstanding during such quarter and (b) the denominator of which is the average daily aggregate amount of the Revolving Credit Commitments during such quarter as set forth below:

| USAGE | APPLICABLE PERCENTAGE |
|---------------------------------|-----------------------|
| 50% or less | 0.875% |
| More than 50% but less than 75% | 0.750% |
| 75% or more | 0.500% |

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Available Amount" of any Letter of Credit means, at any time, the maximum amount available to be drawn under such Letter of Credit at such time (assuming compliance at such time with all conditions to drawing).

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

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

(b) the sum (adjusted to the nearest 1/4 of 1% or, if there is no nearest 1/4 of 1%, to the next higher 1/4 of 1%) of (i) 1/2 of 1% per annum, plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the

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

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

"Base Rate Advance" means an Advance that bears interest as provided in Section 2.07(a)(i).

"Borrowed Debt" means Debt described in clauses (a) through (f) of the definition thereof.

"Borrowed Debt/Adjusted EBITDA Ratio" means, as of any date, the ratio computed by dividing (a) Borrowed Debt of the Borrower and its Subsidiaries, including their pro rata share of the Borrowed Debt of Sunbelt, on a Consolidated basis as of such date by (b) the sum of (x) Adjusted EBITDA of the Borrower and its Subsidiaries plus (y) Consolidated Interest Expense, depreciation, depletion and amortization of intangibles or financing or acquisitions costs for Sunbelt, each on a Consolidated basis for the four consecutive fiscal quarters of the Borrower most recently ended as of such date; provided that clause (b) of this definition shall be calculated to include the Adjusted EBITDA for such period of four consecutive fiscal quarters of any business acquired by the Borrower or its Subsidiaries during such period.

"Borrowing" means a borrowing consisting of simultaneous Advances of the same Type made by each of the Lenders pursuant to Section 2.01(a).

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"Capital Expenditures" means, for any Person for any period, the sum of, without duplication, (a) all expenditures made, directly or indirectly, by such Person or any of its Subsidiaries during such period for equipment, fixed assets, real property or improvements, or for replacements or substitutions therefor or additions thereto, that have been or should be, in accordance with GAAP, reflected as additions to property, plant or equipment on a Consolidated balance sheet of such Person or have a useful life of more than one year plus (b) the aggregate principal amount of all Debt (including obligations under Capitalized Leases) assumed or incurred in connection with any such expenditures.

"Capitalized Leases" means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

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

"Collateral" means all "Collateral" referred to in the Collateral Documents and all other property that is or is intended to be subject to any Lien in favor of the Collateral Trustees for the benefit of the Secured Parties.

"Collateral Account" has the meaning specified in the Security Agreement.

"Collateral Documents" means the Security Agreement, the Mortgages, the Collateral Trust Agreements, the Intercreditor Agreement and any other agreement that creates or purports to create a Lien in favor of the Agent for the benefit of the Secured Parties.

"Collateral Trust Agreements" has the meaning specified in Section 3.01(h)(vi).

"Collateral Trustees" has the meaning specified in the Collateral Trust Agreements.

"Commitment" means a Revolving Credit Commitment or a Letter of Credit Commitment.

"Confidential Information" means the Projections, information provided to the Lenders pursuant to Section 5.01(i)(iv) and any other information that the Borrower furnishes to the Agent or any Lender in a writing designated as confidential or otherwise on a confidential basis if such information otherwise furnished is reduced to a writing designated as confidential within 30 days of the initial disclosure thereof to the Agent or any Lender, but does not include any such information that is or becomes generally available to the public other than as a result of a breach by the Agent or any Lender of its obligations hereunder or that is or becomes available to the Agent or such Lender from a source other than the Borrower or any consultant employed by the Agent to provide technical advice that is not, to the best of the Agent's or such Lender's knowledge, acting in violation of a confidentiality agreement with the Borrower.

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

"Consolidated Interest Expense" means, for any period, cash interest expense of any Person and its Subsidiaries determined on a Consolidated basis in accordance with GAAP including, in any event, interest capitalized during such period and net costs under all Hedge Agreements and interest rate insurance for such period minus (b) Consolidated net gains of such Person and its Subsidiaries under all Hedge Agreements and interest rate insurance for such period and minus (c) any Consolidated interest income of such Person and its Subsidiaries 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.

"Convert", "Conversion" and "Converted" each refers to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.08 or 2.09.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (f) all Capital, Yield and Reimbursement Obligations (each as defined in the Receivables Purchase Agreement) under the Receivables Financing, (g) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit and (h) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to in effect guaranty, any Debt of others of the kinds referred to in clauses (a) through (g) above through an agreement (1) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of

such Debt, (2) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss or (3) otherwise to assure a creditor against loss.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Disclosed Litigation" has the meaning specified in Section 3.01(b).

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"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 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 Equity Interests 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 Equity Interest.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender; and (iii) any other Person approved by the Agent and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 8.07, the Borrower, such approval not to be unreasonably withheld or delayed; provided, however, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement arising under any Environmental Law or Environmental Permit or relating to Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to the environment or Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Equity Affiliate" means, with respect to any Person, any corporation, partnership, limited liability company or other business entity of which an aggregate of 50% or less of the Voting Stock 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 Interests" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"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 Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" means (a) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any of its ERISA Affiliates in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any of its ERISA Affiliates from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the failure by the Borrower or any of its ERISA Affiliates to make a payment to a Plan if the conditions for the imposition of a lien under Section 302(f)(1) of ERISA are satisfied; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that could reasonably be expected to constitute grounds for the termination of, or the appointment of a trustee to administer, a Plan.

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

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum) appearing on Moneyline Telerate Markets Page 3750 (or any successor page) as the London interbank offered rate for deposits in US dollars at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the rate per annum at which deposits in US dollars is offered by the principal office of Citibank in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two

Business Days before the first day of such Interest Period in an amount substantially equal to Citicorp's Eurodollar Rate Advance comprising part of such Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage for such Interest Period. If the Moneyline Telerate Markets Page 3750 (or any successor page) is unavailable, the Eurodollar Rate for any Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from Citibank two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"Eurodollar Rate Advance" means an Advance that bears interest as provided in Section 2.07(a)(ii).

"Eurodollar Rate Reserve Percentage" for any Interest Period for all Eurodollar Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

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

"GAAP" has the meaning specified in Section 1.03.

"Hazardous Materials" means petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and any other chemicals, materials or substances designated, classified or regulated as being "hazardous" or "toxic" or words of similar import under any federal, state, local or foreign statute, law ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance.

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

"Indenture Limit" means (a) the maximum amount permitted under the Borrower's public debt indentures that may be outstanding as secured obligations without requiring the Borrower to equally and ratably secure the Borrower's public debt multiplied by (b) 95% minus (c) all then outstanding secured obligations of the Borrower and its Subsidiaries (other than the Advances and the Letters of Credit) that are subject to such public debt indentures' limitations on secured obligations.

"Information Memorandum" means the information memorandum dated April, 2003 used by Citicorp in connection with the syndication of the Receivables Financing.

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Intercreditor Agreement" has the meaning specified in Section 3.01(h)(vii).

"Interest Coverage Ratio" means, with respect to any fiscal quarter, the ratio of (a) Adjusted EBITDA of the Borrower and its Subsidiaries, including, at any time after demand for performance of the Borrower's guaranty of the obligations of Sunbelt has been made, the Borrower's pro rata share of the Consolidated Interest Expense, depreciation, depletion and amortization of intangibles or financing or acquisitions costs for Sunbelt, on a Consolidated basis to (b) Cash Interest Expense of the Borrower and its Subsidiaries, including, at any time after demand for performance of the Borrower's guaranty of the obligations of Sunbelt has been made, the Borrower's pro rata share of the Cash Interest Expense of Sunbelt, on a Consolidated basis, in each case in the aggregate for the period of four consecutive fiscal quarters ended at the end of such fiscal quarter; provided that clause (a) of this definition shall be calculated to include the Adjusted EBITDA for such period of four consecutive fiscal quarters of any business acquired by the Borrower or its Subsidiaries during such period.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below and subject to the delivery to the Agent of a certificate as contemplated by Section 5.01(i)(v). The duration of each such Interest Period shall be one, two, three or six months or, if available by all Lenders, nine or twelve months, as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(i) the Borrower may not select any Interest Period that ends after the Termination Date;

(ii) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Investment" in any Person means any loan or advance to such Person, any purchase or other acquisition of any Equity Interests or Debt or the assets comprising a division or business unit or a substantial part or all of the business of such Person, any capital contribution to such Person or any other direct or indirect investment in such Person, including, without limitation, any acquisition by way of a merger or consolidation and any arrangement pursuant to which the investor incurs Debt of the types referred to in clause (g) of the definition of "Debt" in respect of such Person.

"Issuing Bank" means an Initial Issuing Bank or any Eligible Assignee to which a portion of the Letter of Credit Commitment hereunder has been assigned pursuant to Section 8.07 so long as such Eligible

Assignee expressly agrees to perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as an Issuing Bank and notifies the Agent of its Applicable Lending Office (which information shall be recorded by the Agent in the Register), for so long as the Initial Issuing Bank or Eligible Assignee, as the case may be, shall have a Letter of Credit Commitment.

"L/C Cash Collateral Account" means an interest bearing cash collateral account to be established and maintained by the Agent, over which the Agent shall have sole dominion and control, upon terms as may be satisfactory to the Agent.

"L/C Related Documents" has the meaning specified in Section 2.06(b)(i).

"Lenders" means the Initial Lenders, each Issuing Bank and each Person that shall become a party hereto pursuant to Section 8.07.

"Letter of Credit Agreement" has the meaning specified in Section 2.03(a).

"Letter of Credit Commitment" means, with respect to each Initial Issuing Bank, the amount set forth opposite the Initial Issuing Bank's name on the signature pages hereto under the caption "Letter of Credit Commitment" or, if such Initial Issuing Bank has entered into one or more Assignment and Acceptances, the amount set forth for such Issuing Bank in the Register maintained by the Agent pursuant to Section 8.07(d) as such Issuing Bank's "Letter of Credit Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"Letter of Credit Facility" means, at any time, an amount equal to the lesser of (a) the aggregate amount of the Issuing Banks' Letter of Credit Commitments at such time and (b) \$35,000,000, as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"Letters of Credit" has the meaning specified in Section 2.01(b).

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Loan Documents" means (a) for purposes of this Agreement and the Notes and any amendment, supplement or modification hereof or thereof, (i) this Agreement, (ii) the Notes, (iv) the L/C Related Documents and (v) the Collateral Documents and (b) for purposes of the Collateral Documents and for all other purposes other than for purposes of this Agreement and the Notes, (i) this Agreement, (ii) the Notes, (iv) the L/C Related Documents, (v) the Collateral Documents and (vi) each Hedge Agreement entered into by and between the Borrower and any Lender or any Affiliate of a Lender.

"Material Adverse Change" means any material adverse change in the business, condition (financial or otherwise), operations, performance, prospects, material obligations or properties of the Borrower or the Borrower and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance, prospects, material obligations or properties of the Borrower or the Borrower and its Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or any Lender under this Agreement or any other Loan Document or (c) the ability of the Borrower to perform its obligations under this Agreement or any other Loan Document.

"Mortgage" has the meaning specified in Section 3.01(h)(v).

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any of its ERISA Affiliates is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any of its ERISA Affiliates and at least one Person other than the Borrower and its ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any of its ERISA Affiliates could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Cash Proceeds" means, with respect to any issuance of any Debt or the sale or issuance of any Equity Interests (including, without limitation, any capital contribution) by any Person, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person in connection with such transaction after deducting therefrom only (without duplication) (a) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions and (b) the amount of taxes payable in connection with or as a result of such transaction in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of such Person and are properly attributable to such transaction or to the asset that is the subject thereof.

"Note" means a promissory note payable to the order of any Lender, delivered pursuant to a request made under Section 2.16 in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Advances made by such Lender.

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Issuance" has the meaning specified in Section 2.03(a).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Performance Level" means, as of any date of determination, the level set forth below as then applicable:

- I Borrowed Debt/Adjusted EBITDA Ratio is less than or equal to 3.75:1.00.
- II Borrowed Debt/Adjusted EBITDA Ratio is greater than 3.75:1.00 but less than or equal to 5.50:1.00.
- III Borrowed Debt/Adjusted EBITDA Ratio is greater than 5.50:1.00.

For purposes of this definition, the Performance Level shall be determined as at the end of each fiscal quarter of the Borrower based upon the calculation of the Borrowed Debt/Adjusted EBITDA Ratio for such fiscal quarter. The Borrowed Debt/Adjusted EBITDA Ratio shall be determined on the date on which the Borrower delivers to the Agent a Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of a fiscal quarter and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal quarter and ending with the end of such quarter, duly certified (subject to year end audit adjustments) by the chief financial officer or the controller of the Borrower as having been prepared in accordance with generally accepted accounting principles, together with a certificate of said officer setting forth in reasonable detail the calculations necessary to demonstrate the Borrowed Debt/Adjusted EBITDA Ratio for the fiscal period then ended.

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

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Projections" means those financial projections dated May 6, 2003 covering the fiscal years ending in 2003 through 2006 inclusive, to be delivered to the Lenders by the Borrower.

"Ratable Share" of any amount means, with respect to any Lender at any time, the product of (a) a fraction the numerator of which is the amount of such Lender's Revolving Credit Commitment at such time (or, if the Commitments have been terminated in full, the amount of such Lender's Revolving Credit Commitment immediately prior to such termination) and the denominator of which is the aggregate Revolving Credit Commitments at such time (or, if the Commitments have been terminated in full, the aggregate amount of the Revolving Credit Commitments immediately prior to such termination) and (b) such amount.

"Receivables Financing" means, collectively, the transactions contemplated by the Receivables Purchase Agreement to be dated on or before May 6, 2003 (the "Receivables Purchase Agreement"), among PolyOne Funding Corporation, as Seller, the Borrower, as servicer, the banks and other financial institutions party thereto and Citicorp USA, Inc., as agent, and National City Commercial Finance, Inc., as syndication agent, and the Transaction Documents (as defined in such Receivables Purchase Agreement).

"Register" has the meaning specified in Section 8.07(d).

"Required Lenders" means at any time Lenders owed at least 75% of the then aggregate unpaid principal amount of the Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least 75% of the Revolving Credit Commitments.

"Restricted Payment" means with respect to the Borrower (a) any dividend, distribution or any other payment whether direct or indirect, on account of any Equity Interest of the Borrower now or hereafter outstanding and (b) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any Equity Interest of the Borrower now or hereafter outstanding, provided that (x) dividends, distributions or any other payment made on account of any Equity Interest of the Borrower payable only in common stock of the Borrower and (y) cash dividends paid by any Subsidiary of the Borrower to the Borrower or any other wholly owned Subsidiary of the Borrower of which it is a Subsidiary shall not constitute "Restricted Payments" hereunder.

"Revolving Credit Commitment" means as to any Lender (a) the amount set forth opposite such Lender's name on the signature pages hereof or (b) if such Lender has entered into any Assignment and Acceptance, the amount set forth for such Lender in the Register maintained by the Agent pursuant to Section 8.07(d), as such amount may be reduced pursuant to Section 2.05.

"Scheduled Other Debt Payment" means, with respect to:

(i) the 7.070% Medium Term Notes due June 26, 2006, issued by MA Hanna Company, the payment of \$20,000,000 of principal on or after June 26, 2006;

(ii) the 6.740% Medium Term Notes due December 22, 2005, issued by MA Hanna Company, the payment of \$20,000,000 of principal on or after December 22, 2005;

(iii) the 6.875% Medium Term Notes due December 1, 2004, issued by MA Hanna Company, the payment of \$20,000,000 of principal on or after December 1, 2004; and

(iv) the 8.75% Medium Term Notes due December 15, 2005, issued by The Geon Company, the payment of \$75,000,000 of principal on or after December 15, 2005.

"Secured Parties" has the meaning specified in the Collateral Trust Agreements.

"Security Agreement" has the meaning specified in Section 3.01(h)(ii).

"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 Borrower or any of its ERISA Affiliates and no Person other than the Borrower and its ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any of its ERISA Affiliates could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"SPC" has the meaning specified in Section 8.07(f) hereto.

"Subsidiary" means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock or the equivalent ownership or controlling interest, in either case having ordinary voting power to elect a majority of the board of directors, managers or trustees thereof (irrespective of whether at the time capital stock (or other evidence of ownership) of any other class or classes of such entity shall or might have the voting power upon the occurrence of any contingency) or (b) the beneficial interest in such trust or estate is at the time owned or controlled directly or indirectly, by the Borrower, by the Borrower and one or more of its other Subsidiaries or by one or more of the Borrower's other Subsidiaries.

"Sunbelt" means SunBelt Chlor Alkali Partnership, a joint venture between a Subsidiary of the Borrower and a subsidiary of The Olin Corp.

"Termination Date" means the earlier of (a) May 6, 2006 and (b) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01.

"Total Excess Availability" means (a) Receivables Excess Availability (as defined in the Receivables Financing Agreement), plus (b) the lesser of (i) an amount equal to the aggregate Unused Commitments at such time and (ii) an amount equal to (A) the Indenture Limit at such time minus (B) the sum of (1) the aggregate principal amount of all Advances outstanding at such time and (2) the aggregate Available Amount of all the Letters of Credit outstanding at such time.

"Type" refers to the distinction between Base Rate Advances and Eurodollar Rate Advances.

"Unused Commitment" means, with respect to each Lender at any time, (a) such Lender's Revolving Credit Commitment at such time minus (b) the sum of (i) the aggregate principal amount of all Advances made by such Lender (in its capacity as a Lender) and outstanding at such time, plus (ii) such Lender's Ratable Share of the aggregate Available Amount of all the Letters of Credit outstanding at such time.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Withdrawal Liability" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles, as in effect December 31, 2002, consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) ("GAAP").

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES AND LETTERS OF CREDIT

SECTION 2.01. The Advances and Letters of Credit. (a) Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an amount not to exceed such Lender's Unused Commitment. Each Borrowing shall be in an aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and shall consist of Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, the Borrower may borrow under this Section 2.01(a), prepay pursuant to Section 2.10 and reborrow under this Section 2.01(a).

(b) Letters of Credit. Each Issuing Bank agrees, on the terms and conditions hereinafter set forth, to issue letters of credit (each, a "Letter of Credit") for the account of the Borrower from time to time on any Business Day during the period from the Effective Date until 30 days before the Termination Date in an aggregate Available Amount (i) for all Letters of Credit issued by each Issuing Bank not to exceed at any time the lesser of (x) the Letter of Credit Facility at such time and (y) such Issuing Bank's Letter of Credit Commitment at such time and (ii) for each such Letter of Credit not to exceed an amount equal to the Unused Commitments of the Lenders at such time. Each Letter of Credit shall be in an amount of \$1,000,000 or more. No Letter of Credit shall have an expiration date (including all rights of the Borrower or the beneficiary to require renewal) later than 10 Business Days before the Termination Date. Within the limits referred to above, the Borrower may request the issuance of Letters of Credit under this Section 2.01(b), repay any Advances resulting from drawings thereunder pursuant to Section 2.03(c) and request the issuance of additional Letters of Credit under this Section 2.01(b). Each letter of credit listed on Schedule 2.01(b) shall be deemed to constitute a Letter of Credit issued hereunder, and each Lender that is an issuer of such a Letter of Credit shall, for purposes of Section 2.03, be deemed to be an Issuing Bank for each such letter of credit, provided that any renewal or replacement of any such letter of credit shall be issued by an Issuing Bank pursuant to the terms of this Agreement.

SECTION 2.02. Making the Advances. (a) Each Borrowing shall be made on notice, given not later than (x) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Borrowing in the case of a Borrowing consisting of Eurodollar Rate Advances or (y) 11:00 A.M. (New York City time) on the date of the proposed Borrowing in the case of a Borrowing consisting of Base Rate Advances, by the Borrower to the Agent, which shall give to each Lender prompt notice thereof by telecopier or telex. Each such notice of a Borrowing (a "Notice of Borrowing") shall be by telephone, confirmed immediately in writing, or telecopier or telex in substantially the form of Exhibit B hereto, specifying therein the requested (i) date of such Borrowing, (ii) Type of Advances comprising such Borrowing, (iii) aggregate amount of such Borrowing, and (iv) in the case of a Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such Advance. Each Lender shall, before 1:00 P.M. (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Agent at the applicable Agent's Account, in same day funds, such Lender's ratable portion of such Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower by depositing such funds into an account of the Borrower maintained with the Agent or to such other account as the Borrower shall designate.

(b) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrower may not select Eurodollar Rate Advances for any Borrowing if the aggregate amount of such Borrowing is less than \$5,000,000 or if the obligation of the Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) the Eurodollar Rate Advances may not be outstanding as part of more than five separate Borrowings.

(c) Each Notice of Borrowing shall be binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any revocation of such Notice of Borrowing by the Borrower or failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such revocation or failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent and the Agent has made such corresponding amount available to the Borrower, such Lender and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the higher of (A) the interest rate applicable at the time to Advances comprising such Borrowing and (B) the cost of funds incurred by the Agent in respect of such amount and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Advance as part of such Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing. Nothing herein shall prejudice any rights that the Borrower may have against any Lender as a result of any default by such Lender hereunder.

SECTION 2.03. Issuance of and Drawings and Reimbursement Under Letters of Credit. (a) Request for Issuance. (i) Each Letter of Credit shall be issued upon notice, given not later than 11:00 A.M. (New York City time) on the fifth Business Day prior to the date of the proposed issuance of such Letter of Credit (or on such shorter notice as the applicable Issuing Bank may agree), by the Borrower to any Issuing Bank, and such Issuing Bank shall give the Agent prompt notice thereof by telex, telecopier or cable. Each such notice of issuance of a Letter of Credit (a "Notice of Issuance") shall be by telephone, confirmed immediately in writing, or telecopier or telex, specifying therein the requested (A) date of such issuance (which shall be a Business Day), (B) Available Amount of such Letter of Credit, (C) expiration date of such Letter of Credit (which shall not be later than one year after the issuance thereof), (D) name and address of the beneficiary of such Letter of Credit and (E) form of such Letter of Credit, and shall be accompanied by such customary application and agreement for letters of credit as such Issuing Bank may specify to the Borrower for use in connection with such requested Letter of Credit (a "Letter of Credit Agreement"). If (x) the requested form of such Letter of Credit is acceptable to such Issuing Bank in its sole discretion and (y) it has not received notice of objection of such issuance from the Required Lenders, such Issuing Bank will, upon fulfillment of the applicable conditions set forth in Article III, make such Letter of Credit available to the Borrower at its office referred to in Section 8.02 or as otherwise agreed with the Borrower in connection with such issuance. In the event and to the extent that the provisions of any Letter of Credit Agreement shall conflict with this Agreement, the provisions of this Agreement shall govern.

(b) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, such Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Ratable Share of the Available Amount of such Letter of Credit. The Borrower hereby agrees to each such participation. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Agent, for the account of such Issuing Bank, such Lender's Ratable Share of each drawing made under a Letter of Credit funded by such Issuing Bank and not reimbursed by the Borrower on the date made, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire

participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Revolving Credit Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(c) Drawing and Reimbursement. The payment by an Issuing Bank of a draft drawn under any Letter of Credit shall constitute for all purposes of this Agreement the making by any such Issuing Bank of an Advance, which shall be a Base Rate Advance, in the amount of such draft. Each Issuing Bank shall give prompt notice (and such Issuing Bank will use its commercially reasonable efforts to deliver such notice within one Business Day) of each drawing under any Letter of Credit issued by it to the Borrower and the Agent. Upon written demand by such Issuing Bank, with a copy of such demand to the Agent, each Lender shall pay to the Agent such Lender's Ratable Share of such outstanding Advance, by making available for the account of its Applicable Lending Office to the Agent for the account of such Issuing Bank, by deposit to the Agent's Account, in same day funds, an amount equal to the portion of the outstanding principal amount of such Advance to be funded by such Lender. Promptly after receipt thereof, the Agent shall transfer such funds to such Issuing Bank. Each Lender agrees to fund its Ratable Share of an outstanding Advance on (i) the Business Day on which demand therefor is made by such Issuing Bank, provided that notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day, or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. If and to the extent that any Lender shall not have so made the amount of such Advance available to the Agent, such Lender agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by any such Issuing Bank until the date such amount is paid to the Agent, at the Federal Funds Rate for its account or the account of such Issuing Bank, as applicable. If such Lender shall pay to the Agent such amount for the account of any such Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute an Advance made by such Lender on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Advance made by such Issuing Bank shall be reduced by such amount on such Business Day.

(d) Letter of Credit Reports. Each Issuing Bank shall furnish (A) to the Agent on the first Business Day of each week a written report summarizing issuance and expiration dates of Letters of Credit issued during the previous week and drawings during such week under all Letters of Credit, (B) to each Lender on the first Business Day of each month a written report summarizing issuance and expiration dates of Letters of Credit during the preceding month and drawings during such month under all Letters of Credit and (C) to the Agent and each Lender on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit.

(e) Failure to Make Advances. The failure of any Lender to make the Advance to be made by it on the date specified in Section 2.03(c) shall not relieve any other Lender of its obligation hereunder to make its Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on such date.

SECTION 2.04. Fees. (a) Commitment Fee. The Borrower agrees to pay to the Agent for the account of each Lender a commitment fee on the aggregate amount of such Lender's Unused Commitment from the Effective Date in the case of each Initial Lender and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing June 30, 2003, and on the Termination Date.

(b) Letter of Credit Fees. (i) The Borrower shall pay to the Agent for the account of each Lender a commission on such Lender's Ratable Share of the average daily aggregate Available Amount of all Letters of Credit made at the request of the Borrower and outstanding from time to time at a rate per annum equal to the Applicable Margin for Eurodollar Rate Advances in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing June 30, 2003, and on the Termination Date, and after the Termination Date payable upon demand; provided that the Applicable Margin shall increase by 2% upon the occurrence and during the continuation of an Event of Default if the Borrower is required to pay default interest pursuant to Section 2.07(b).

(ii) The Borrower shall pay to each Issuing Bank for its own account such fees as may from time to time be agreed in writing between the Borrower and such Issuing Bank.

(c) Agent's Fees. The Borrower shall pay to the Agent for its own account such fees as may from time to time be agreed between the Borrower and the Agent.

SECTION 2.05. Termination or Reduction of the Commitments. The Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that each partial reduction shall be in the aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof.

SECTION 2.06. Repayment of Advances. (a) Advances. The Borrower shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Advances then outstanding.

(b) Letter of Credit Reimbursements. The obligations of the Borrower under this Agreement, any Letter of Credit Agreement and any other agreement or instrument, in each case, relating to any Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, such Letter of Credit Agreement and such other agreement or instrument under all circumstances, including, without limitation, the following circumstances (it being understood that any such payment by the Borrower is without prejudice to, and does not constitute a waiver of, any rights the Borrower might have or might acquire as a result of the payment by any Issuing Bank of any draft or the reimbursement by the Borrower thereof):

(i) any lack of validity or enforceability of this Agreement, any Note, any Letter of Credit Agreement, any Letter of Credit or any other agreement or instrument relating thereto (all of the foregoing being, collectively, the "L/C Related Documents");

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Borrower in respect of any L/C Related Document or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(iii) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be acting), any Issuing Bank, any Agent, any Lender or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(iv) any statement or any 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 any Issuing Bank under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit;

(vi) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any guarantee, for all or any of the obligations of the Borrower in respect of the L/C Related Documents; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

SECTION 2.07. Interest on Advances. (a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance made to it from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Margin in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurodollar Rate Advances. During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (x) the Eurodollar Rate for such Interest Period for such Advance plus (y) the Applicable Margin in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay interest on (i) the unpaid principal amount of each Advance made to it owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above.

SECTION 2.08. Interest Rate Determination. (a) The Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or (ii), and the rate, if any, furnished by Citibank for the purpose of determining the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurodollar Rate Advances, the Required Lenders notify the Agent that (i) they are unable to obtain matching deposits in the London inter-bank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Advances as a part of such Borrowing during its Interest Period or (ii) the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Agent shall forthwith so notify the Borrower and the Lenders, whereupon (A) the Borrower will, on the last day of the then existing Interest Period therefor, either (x) prepay such Advances or (y) Convert such Advances into Base Rate Advances and (B) the obligation of the Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(c) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

(d) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than \$5,000,000, such Advances shall automatically Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, be Converted into Base Rate Advances and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

(f) If Moneyline Telerate Markets Page 3750 is unavailable and Citibank shall not furnish timely information to the Agent for determining the Eurodollar Rate for any Eurodollar Rate Advances,

(i) the Agent shall forthwith notify the Borrower and the Lenders that the interest rate cannot be determined for such Eurodollar Rate Advances,

(ii) with respect to Eurodollar Rate Advances, each such Advance will automatically, on the last day of the then existing Interest Period therefor, at the option of the Borrower, be prepaid by the Borrower or be automatically Converted into a Base Rate Advance, and

(iii) the obligation of the Lenders to make Eurodollar Rate Advances or to Convert Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09. Optional Conversion of Advances. The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all Advances of one Type comprising the same Borrowing into Advances of the other Type; provided, however, that any Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances, any Conversion of Base Rate Advances into Eurodollar Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b) and no Conversion of any Advances shall result in more separate Borrowings than permitted under Section 2.02(b) and provided further that as a condition to each Conversion the Borrower shall have delivered to the Agent a certificate as contemplated by Section 5.01(i)(v). Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be binding on the Borrower. In the case of any Conversion of Base Rate Advances into Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any revocation of such notice of Conversion, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be Converted by such Lender as a result of such revocation.

SECTION 2.10. Prepayments of Advances. (a) Optional. The Borrower may, upon notice at least two Business Days' prior to the date of such prepayment, in the case of Eurodollar Rate Advances, and not later than 11:00 A.M. (New York City time) on the date of such prepayment, in the case of Base Rate Advances, to the Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and (y) in the event of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 8.04(c).

(b) Mandatory. The Borrower shall, on each Business Day, prepay an aggregate principal amount of the Advances comprising part of the same Borrowings and deposit an amount in the L/C Cash Collateral Account in an amount equal to the amount by which the sum of the aggregate principal amount of the Advances then outstanding plus the aggregate Available Amount of all Letters of Credit then outstanding exceeds the Indenture Limit on such Business Day. All prepayments under this subsection (b) shall be made together with accrued interest to the date of such prepayment on the principal amount prepaid.

SECTION 2.11. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law) which becomes effective after the date hereof, there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Advances or agreeing to issue or of issuing or maintaining or participating in Letters of Credit (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.14 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized

or has its Applicable Lending Office or any political subdivision thereof), then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost setting forth the basis thereof in reasonable detail and submitted to the Borrower and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

(b) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) which becomes effective after the date hereof, there shall be any increase in the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender as a result of or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts setting forth the basis thereof in reasonable detail and submitted to the Borrower and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error. Notwithstanding the foregoing and except in the case of any such law, regulation, guideline or request having retroactive effect, the Borrower shall not be required to pay to the Agent or any Lender such additional amounts to the extent such amounts relate to periods prior to six months before the Borrower's receipt of such notice.

SECTION 2.12. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (a) each Eurodollar Rate Advance will automatically, upon such demand, be Converted into a Base Rate Advance and (b) the obligation of the Lenders to make Eurodollar Rate Advances or to Convert Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.13. Payments and Computations. (a) The Borrower shall make each payment hereunder not later than 11:00 A.M. (New York City time) on the day when due to the Agent at the Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or fees ratably (other than amounts payable pursuant to Section 2.11, 2.14 or 8.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender is not made when due hereunder or under the Note held by such Lender, to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due.

(c) All computations of interest based on the Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, all computations of interest based on the Eurodollar Rate or the Federal Funds Rate and of fees and Letter of Credit commissions shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or commissions are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest, fee or commission, as the case may be; provided, however, that, if such extension would cause payment of interest or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower 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 Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent at the Federal Funds Rate.

SECTION 2.14. Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its income, and franchise taxes imposed on it in lieu of income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its income, and franchise taxes imposed on it in lieu of income taxes, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.14) paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor in reasonable detail.

(d) Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determine that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from

time to time thereafter if requested in writing by the Borrower (but only so long as such Lender remains lawfully able to do so), shall provide each of the Agent and the Borrower with two original Internal Revenue Service forms W-8BEN or W-8ECI, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments of interest by the Borrower pursuant to this Agreement or the Notes. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from "Taxes" as defined in this Section 2.14 unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form W-8BEN or W-8ECI, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the Borrower and shall not be obligated to include in such form or document such confidential information.

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

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Advances owing to it (other than pursuant to Section 2.11, 2.14 or 8.04(c)) in excess of its Ratable Share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.16. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Advances. The Borrower agrees that upon notice by any Lender to the Borrower (with a copy of such notice to the Agent) to the effect that a Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender a Note payable to the order of such Lender in a principal amount up to the Revolving Credit Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 8.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to

and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from the Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower or affect the rights of the Lenders under this Agreement.

SECTION 2.17. Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower agrees that it shall use such proceeds) solely for working capital and general corporate purposes of the Borrower and its Subsidiaries, provided, however, that proceeds of the Advances shall not be used for repayment of third-party Debt.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01 and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) There shall have occurred no Material Adverse Change since December 31, 2002.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting the Borrower or any of its Subsidiaries pending or, to its or their knowledge, threatened before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect other than the matters described on Schedule 3.01(b) hereto (the "Disclosed Litigation") or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there shall have been no adverse change in the status, or financial effect on the Borrower or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto that could reasonably be expected to have a Material Adverse Effect.

(c) The Lenders shall have been given such access to the management, records, books of account, contracts and properties of the Borrower and its Subsidiaries as they shall have reasonably requested.

(d) All governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not acceptable to the Lenders) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Lenders that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(e) The Borrower shall have notified each Lender and the Agent in writing as to the proposed Effective Date.

(f) The Borrower shall have paid all invoiced accrued fees and expenses of the Agent and the Lenders (including the invoiced accrued reasonable fees and expenses of counsel to the Agent).

(g) On the Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Borrower, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 and in each other Loan Document are correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(h) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Notes) in sufficient copies for each Lender:

(i) The Notes to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16.

(ii) An amended and restated security agreement in substantially the form of Exhibit D hereto (as amended, modified or otherwise supplemented from time to time, the "Security Agreement"), duly executed by the Borrower, together with:

(A) acknowledgment copies of proper financing statements, duly filed on or before such day under the Uniform Commercial Code of all jurisdictions that the Agent may deem necessary or desirable in order to perfect and protect the first priority liens and security interests created under the Security Agreement, covering the Collateral described in the Security Agreement,

(B) completed requests for information, dated on or before such day, listing the financing statements referred to in clause (A) above and all other effective financing statements filed in the jurisdictions referred to in clause (A) above that name the Borrower as debtor, together with copies of such other financing statements,

(C) evidence of the completion of all other recordings and filings of or with respect to the Security Agreement and that all other action that the Agent may deem necessary or desirable in order to perfect and protect the Liens and security interests created under the Security Agreement has been taken (including, without limitation, receipt of duly executed payoff letters, UCC-3 termination statements and landlords' and bailees' waiver and consent agreements) that the Agent may deem necessary or desirable in order to perfect and protect the Liens created thereby,

(iii) Evidence of the insurance required by the terms of the Collateral Documents,

(iv) Favorable opinions of local counsels with respect to the Security Agreement, in form and substance satisfactory to the Agent.

(v) Amendments in form and substance satisfactory to the Agent of the deeds of trust and mortgages covering the properties listed in Schedule II hereto and delivered pursuant to the Existing Credit Agreement (as amended, modified or otherwise supplemented from time to time, the "Mortgages"), each duly executed by the Borrower, together with a Mortgage Modification Endorsement to the Lender's title insurance policy delivered with respect to each such Mortgage under the Existing Credit Agreement in form and substance satisfactory to the Agent.

(vi) Amendments in form and substance satisfactory to the Agent of the Collateral Trust Agreements, each dated as of January 25, 2002 (as amended, modified or otherwise supplemented from time to time, the "Collateral Trust Agreements") between the Collateral

Trustees named therein and the Borrower, duly executed by the Collateral Trustees and the Borrower.

(vii) An agreement in form and substance satisfactory to the Agent among the Collateral Trustees, the Borrower, the Agent and the duly authorized representative of the creditors parties to the Receivables Financing (as amended, modified or otherwise supplemented from time to time, the "Intercreditor Agreement").

(viii) Certified copies of the resolutions of the Board of Directors of the Borrower approving this Agreement and each other Loan Document, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and each other Loan Document.

(ix) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and each other Loan Document and the other documents to be delivered hereunder.

(x) A favorable opinion of in-house counsel of the Borrower, substantially in the form of Exhibit E hereto and as to such other matters as any Lender through the Agent may reasonably request.

(xi) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

(i) The Receivables Financing shall have been consummated having a Total Commitment Amount (as defined in the Receivable Purchase Agreement) of not less than \$225,000,000 and having a tenor of not less than three years.

(j) The Borrower shall have received cash proceeds of not less than \$190,000,000 from the issuance of senior notes in the debt markets having a maturity no earlier than 90 days after the Termination Date, and \$87,775,000 of such cash proceeds shall have been delivered to Citibank in accordance with an escrow agreement in substantially the form of Exhibit F hereto.

SECTION 3.02. Conditions Precedent to Each Borrowing and Issuance.

The obligation of each Lender to make an Advance on the occasion of each Borrowing and the obligation of each Issuing Bank to issue a Letter of Credit shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Borrowing or issuance (a) the following statements shall be true (and each of the giving of the applicable Notice of Borrowing, Notice of Issuance and the acceptance by the Borrower of the proceeds of such Borrowing shall constitute a representation and warranty by the Borrower on the date of such Borrowing or issuance such statements are true):

(i) the representations and warranties contained in Section 4.01 and in each other Loan Document are correct on and as of such date, before and after giving effect to such Borrowing or issuance 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 such Borrowing,

(ii) no event has occurred and is continuing, or would result from such Borrowing or issuance or from the application of the proceeds therefrom, that constitutes a Default,

(iii) the Indenture Limit exceeds the aggregate principal amount of the Advances plus the aggregate Available Amount of all Letters of Credit to be outstanding after giving effect to such Advance or issuance, respectively, and

(iv) for each Borrowing, the Available Capital (as defined in the Receivables Purchase Agreement) under the Receivables Financing, after giving effect to all Capital Investments (as defined in the Receivables Purchase Agreement) shall be less than \$5,000,000;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

SECTION 3.03. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the proposed Effective Date, as notified by the Borrower to the Lenders, specifying its objection thereto. The Agent shall promptly notify the Lenders of the occurrence of the Effective Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

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

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio, 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 Borrower of this Agreement and the other Loan Documents, and the consummation of the transactions contemplated hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene the Borrower'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 Borrower under, or result in or require the creation of any Lien upon any property of the Borrower pursuant to the terms of any agreement or instrument binding on or affecting the Borrower or any of its properties other than in favor of the Collateral Trustee for the benefit of the Secured Parties.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Borrower of this Agreement or the other Loan Documents, except for the filing of UCC financing statements and the amendments to the Mortgages contemplated by Section 3.01.

(d) This Agreement has been, and each of the other Loan Documents when delivered hereunder will have been, duly executed and delivered by the Borrower. This Agreement is, and each of the other Loan Documents when delivered hereunder will be, the legal, valid and binding obligation of the Borrower enforceable against the Borrower 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) (i) The Consolidated balance sheet of the Borrower and its subsidiaries as at December 31, 2002, and the related Consolidated statements of income and cash flows of the Borrower and its subsidiaries for the fiscal year then ended, accompanied by an opinion of Ernst & Young LLP, independent public accountants, copies of which have been furnished to each Lender, fairly present the

Consolidated financial condition of the Borrower and its subsidiaries as at such date and the Consolidated results of the operations of the Borrower and its subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied.

(ii) Since December 31, 2002, 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) To the best of the Borrower's knowledge, there is no pending or threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or, if adversely determined, could reasonably be expected to result in a Material Adverse Change or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there has been no adverse change in the status, or financial effect on the Borrower or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(g) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

(h) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan.

(i) Neither the Borrower nor any of its ERISA Affiliates has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan.

(j) Neither the Borrower nor any of its ERISA Affiliates has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA.

(k) The operations and properties of the Borrower and each of its Subsidiaries comply in all material respects with all Environmental Laws, all necessary Environmental Permits have been obtained and are in effect for the operations and properties of the Borrower and its Subsidiaries, the Borrower and its Subsidiaries are in compliance in all material respects with all such Environmental Permits, and no circumstances exist that could be reasonably likely to (i) form the basis of an Environmental Action against the Borrower or any of its Subsidiaries or any of their properties that could have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that could have a Material Adverse Effect.

(l) None of the properties currently or formerly owned or operated by the Borrower or any of its Subsidiaries is listed or proposed for listing on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("NPL") or on the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency ("CERCLIS") or any analogous state list of sites requiring investigation or cleanup, the listing, or proposed listing of which would be reasonably likely to have a Material Adverse Effect, except as described in the annual report of the Borrower on Form 10-K filed with the Securities and Exchange Commission, for the period ending December 31, 2002 or, to the best knowledge of the Borrower, is adjacent to any such property.

(m) Except where noncompliance would not individually or in the aggregate have a Material Adverse Effect (i) neither the Borrower nor any of its Subsidiaries has transported or arranged for the

transportation of any Hazardous Materials to any location that is listed or proposed for listing on the NPL or on the CERCLIS or any analogous state list, and (ii) all Hazardous Materials generated, used, treated, handled or stored at or transported to or from any property currently or formerly owned or operated by the Borrower or any of its Subsidiaries have been disposed of in compliance with all Environmental Laws and Environmental Permits,

(n) Following application of the proceeds of each Advance, not more than 25 percent of the value of the assets (either of the Borrower only or of the Borrower and its Subsidiaries on a Consolidated basis) subject to the provisions of Section 5.02(a) or subject to any restriction contained in any agreement or instrument between the Borrower and any Lender or any Affiliate of any Lender relating to Debt and within the scope of Section 6.01(d) will be margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System).

(o) The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(p) The Borrower is, individually and together with its Subsidiaries, Solvent. "Solvent" means, with respect to any Person on a particular date, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (iv) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid, any Lender shall have any Commitment hereunder or any Letter of Credit shall be outstanding, the Borrower will:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws as provided in Section 5.01(j).

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.

(c) Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates; provided, however, that the Borrower and its Subsidiaries may self-insure to the same extent as is consistent with the past practice and to the extent consistent with prudent business practice.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises; provided, however, that the Borrower and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(b) and provided further that neither the Borrower nor any of its Subsidiaries shall be required to preserve any right or franchise if the Board of Directors of the Borrower or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Borrower, such Subsidiary or the Lenders.

(e) Visitation Rights. At any reasonable time and from time to time, permit the Agent or any of the Lenders or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and any of its Subsidiaries with any of their officers or directors and with their independent certified public accountants.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(h) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

(i) Reporting Requirements. Furnish to the Lenders:

(i) within 50 days after the end of each of the first three fiscal quarters of each fiscal year, financial information regarding the Borrower 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 Projections or, if applicable, the latest business plan provided pursuant to clause (iv) below for the current fiscal year, together with a certificate of the chief financial officer or treasurer of the Borrower (a) that such financial statements fairly presenting the Consolidated financial position of the Borrower 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), (y) as to compliance with the terms of this Agreement and (z) setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03, provided, that in the event of any change in GAAP used in the preparation of such financial statements, the Borrower shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statement to GAAP;

(ii) within 95 days after the end of each fiscal year, financial information regarding the Borrower and its Subsidiaries consisting of Consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such year and related statements of income and cash flows of the Borrower 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 Borrower being a going concern by the Borrower'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

Borrower 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 Borrower'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 Borrower'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 Borrower and its Subsidiaries such accounting firm has obtained no knowledge that a Default has occurred and is continuing, or, if in the opinion of such accounting firm, a Default has occurred and is continuing, a statement as to the nature thereof; provided, that in the event of any change in GAAP used in the preparation of such financial statements, the Borrower shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statement to GAAP;

(iii) as soon as possible and in any event within five Business Days after the occurrence of each Default continuing on the date of such statement, a statement of an officer of the Borrower having knowledge of or responsibility for such matters setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(iv) not later than the earlier of (A) 15 days after the Borrower has received the approval of its board of directors therefor and (B) 90 days after the commencement of each fiscal year: (1) the annual business plan of the Borrower and its Subsidiaries for such fiscal year approved by the Board of Directors of the Borrower, (2) forecasts prepared by management of the Borrower for each fiscal month in such fiscal year and (3) forecasts prepared by management of the Borrower for such fiscal year and each of the succeeding fiscal years through the Termination Date, including, in each instance described in clauses (2) and (3) above, (x) a projected year-end Consolidated balance sheet and income statement and statement of cash flows and (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.

(v) as soon as possible and in any event within 50 days after the end of each fiscal quarter, and on each date that the Borrower gives notice of a Conversion in accordance with Section 2.09 or notice of a subsequent Interest Period in accordance with the definition of "Interest Period", a certificate of the chief financial officer, treasurer or the controller of the Borrower setting forth in reasonable detail the calculations necessary to demonstrate that the sum of the aggregate principal amount of the Advances plus the Available Amount of all Letters of Credit outstanding as of the last day of such fiscal quarter do not exceed the Indenture Limit.

(vi) promptly after the sending or filing thereof, the Borrower shall send the Agent copies of (A) all reports the Borrower sends to its security holders generally, (B) all reports and registration statements that the Borrower 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 (D) all other statements concerning material changes or developments in the business of the Borrower made available by the Borrower or any of its Subsidiaries to the public or any other creditor.

(vii) promptly after the commencement thereof, notice of the commencement and nature of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in Section 4.01(f);

(viii) promptly and in any event within 10 days after the Borrower or any of its ERISA Affiliates knows or has reason to know that any ERISA Event has occurred, a statement of an officer of the Borrower having knowledge of or responsibility for such matters describing such ERISA Event and the action, if any, that the Borrower or such ERISA Affiliate has taken and proposes to take with respect thereto;

(ix) promptly and in any event within seven Business Days after receipt thereof by the Borrower or any of its ERISA Affiliates, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any such Plan;

(x) promptly and in any event within 30 days after the receipt thereof by the Borrower or any of its ERISA Affiliates, a copy of the latest annual actuarial report for each Plan if the ratio of the fair market value of the assets of such Plan to its current liability (as defined in Section 412 of the Internal Revenue Code) is less than 60%;

(xi) promptly and in any event within five Business Days after receipt thereof by the Borrower or any of its ERISA Affiliates from the sponsor of a Multiemployer Plan, copies of each notice concerning (A) the imposition of Withdrawal Liability by any such Multiemployer Plan, (B) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (C) the amount of liability incurred, or that may be incurred, by the Borrower or any of its ERISA Affiliates in connection with any event described in clause (A) or (B); and

(xii) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

(j) Compliance with Environmental Laws. Comply, and cause each of its Subsidiaries and all lessees and other Persons operating or occupying its properties to comply, in all material respects, with all applicable Environmental Laws and Environmental Permits; obtain and renew and cause each of its Subsidiaries to obtain and renew all Environmental Permits necessary for its operations and properties; and conduct, and cause each of its Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties pursuant to the order of any regulatory authority and generally in accordance with the requirements of all Environmental Laws; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances.

(k) Preparation of Environmental Reports. If an Event of Default shall have occurred and be continuing, at the request of the Agent with respect to any Environmental Action, condition or occurrence that the Agent or the Required Lenders reasonably deem to be material, provide to the Lenders within 90 days after such request, at the expense of the Borrower, an environmental site assessment report for the properties described in such request, prepared by an environmental consulting firm acceptable to the Agent, indicating the presence or absence of Hazardous Materials and the estimated cost of any compliance, removal or remedial action in connection with any Hazardous Materials on such properties; without limiting the generality of the foregoing, if the Agent determines at any time that a material risk exists that any such report will not be provided within the time referred to above, the Agent may retain an environmental consulting firm to prepare such report at the expense of the Borrower, and the Borrower hereby grants and agrees to cause any Subsidiary that owns any property described in such request to grant at the time of such request, to the Agent, the Lenders, such firm and any agents or representatives thereof an irrevocable non-exclusive license, subject to the rights of tenants, to enter onto their respective properties to undertake such an assessment.

(l) Real Estate Matters. Deliver to the Agent, within 30 days after the Effective Date, a title search for each property listed in Schedule II showing no Liens of record other than those created or permitted by the Mortgages. Deliver to the Agent, within 30 days after the occurrence of any Actionable Default (as defined in the Collateral Trust Agreement), an endorsement to each lender's title insurance policy for the properties listed in Schedule II showing no Liens of record other than those created or permitted by the Mortgages and down-dating such title insurance policies to a then current date.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid, any Lender shall have any Commitment hereunder or any Letter of Credit shall be outstanding, the Borrower will not:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, other than:

(i) (A) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b) hereof (including contracts entered into in connection with major construction projects); (B) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations; (C) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; and (D) easements, rights of way and other encumbrances on title to real property that do not materially adversely affect the use of such property for its present purposes, provided in each case, that no enforcement, execution, levy or foreclosure proceeding shall have been commenced that is not being contested in good faith and by proper proceedings with appropriate reserves being maintained,

(ii) purchase money Liens upon or in any property acquired or held by the Borrower or any Subsidiary in the ordinary course of business to secure the purchase price of such property or to secure Debt incurred solely for the purpose of financing the acquisition of such property, or Liens existing on such property at the time of its acquisition (other than any such Lien created in contemplation of such acquisition or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided, however, that no such Lien shall extend to or cover any property other than the property being acquired, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced, provided further that the aggregate principal amount of the indebtedness secured by the Liens referred to in this clause (ii) shall not exceed \$25,000,000, at any time outstanding,

(iii) the Liens existing on the Effective Date and described on Schedule 5.02(a) hereto,

(iv) the replacement, extension or renewal of any Lien permitted by clause (iii) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt secured thereby,

(v) Liens, if any, resulting from the documents evidencing the Receivables Financing,

(vi) Liens created under the Collateral Documents, and

(vii) Liens not otherwise permitted by clauses (i) through (vi) securing Debt or other obligations in an aggregate amount not to exceed \$10,000,000 at any time outstanding.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that any Subsidiary of the Borrower may merge or consolidate with or into, or dispose of assets to, any other Subsidiary of the Borrower, and except that any Subsidiary of the Borrower may merge into or dispose of assets to the Borrower, provided, in each case, that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Accounting Changes. Make or permit, or permit any of its Subsidiaries to make or permit, any change (i) in accounting policies or reporting practices, except as required by generally accepted accounting principles or applicable law and disclosed to the Lenders and the Agent or (ii) in its fiscal year.

(d) Sales, Etc. of Assets. Sell, lease, transfer or otherwise dispose of any of its assets or any interest therein (including the sale or factoring at maturity or collection of any account) to any Person, or permit or suffer any other Person to acquire any interest in any of its assets other than (i) in connection with the Receivables Financing, (ii) the assets listed on Schedule 5.02(d) hereto, (iii) sales of inventory in the ordinary course of business and (iv) assets having a book value of not more than \$25,000,000, provided, in the case of clauses (ii) and (iv) above, (x) no Default has occurred and is continuing or would result therefrom, (y) such sale or other transfer is for Fair Market Value and (z) 75% of the proceeds of such sale or transfer are payable in cash to the seller upon the consummation of such sale. "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 the Borrower 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.

(e) Investments in Other Persons. Make, or permit any of its Subsidiaries to make, any Investment in any Person, except:

(i) equity Investments or Investments consisting of intercompany Debt by the Borrower and its Subsidiaries in their Subsidiaries outstanding on the date hereof and additional investments in wholly owned Subsidiaries;

(ii) loans and advances to employees in the ordinary course of the business of the Borrower and its Subsidiaries as presently conducted; and

(iii) Investments by the Borrower and its Subsidiaries in deposit accounts maintained in the ordinary course of business; and

(iv) other Investments made during the term of this Agreement of not more than \$10,000,000 in the aggregate; provided that with respect to Investments made under this clause (iv): (1) any newly acquired or organized Subsidiary of the Borrower or any of its Subsidiaries shall be a wholly owned Subsidiary thereof; (2) immediately before and after giving effect thereto, no Default shall have occurred and be continuing or would result therefrom; (3) any company or business acquired or invested in pursuant to this clause (iv) shall be in the same line of business as the business of the Borrower or any of its Subsidiaries; (4) immediately after giving effect to the acquisition of a company or business pursuant to this clause (iv), the Borrower shall be in pro forma compliance with the covenants contained in Section 5.03, calculated based on the financial statements most recently delivered to the Lenders pursuant to Section 5.01(i) and as though such acquisition had occurred at the beginning of the four-quarter period covered thereby, as evidenced by a certificate of the chief financial officer of the Borrower delivered to the Lenders demonstrating such compliance.

(f) Restricted Payments. Directly or indirectly, declare, order, pay, make or set apart any sum for any Restricted Payment unless, after giving effect to such Restricted Payment, (i) Total Excess

Availability (calculated on a pro forma basis using the average Total Excess Availability for each day during the immediately preceding calendar month) is not less than the greater of (A) \$210,000,000, reduced by the amount of any Scheduled Other Debt Payment made during said immediately preceding month, and (B) \$150,000,000, and (ii) the Adjusted EBITDA of the Borrower and its Subsidiaries for the twelve month period ending on the last day of the most recently completed calendar month is not less than \$200,000,000.

(g) Negative Pledge. Enter into or suffer to exist, or permit any of its Subsidiaries to enter into or suffer to exist, any agreement prohibiting or conditioning the creation or assumption of any Lien upon any of its property or assets except (i) in favor of the Collateral Trustees for the benefit of the Secured Parties or (ii) in connection with (A) any Debt (including the Receivables Financing and the Debt contemplated by Section 3.01(j)) or operating lease outstanding on the Effective Date, (B) any purchase money Debt solely to the extent that the agreement or instrument governing such Debt prohibits a Lien on the property acquired with the proceeds of such Debt, (C) any Capitalized Lease solely to the extent that such Capitalized Lease prohibits a Lien on the property subject thereto or (D) any Debt outstanding on the date any Subsidiary of the Borrower becomes such a Subsidiary (so long as such agreement was not entered into solely in contemplation of such Subsidiary becoming a Subsidiary of the Borrower).

(h) Capital Expenditures. Make or incur, or permit its Subsidiaries to make or incur, Capital Expenditures during each of the fiscal years set forth below, in an aggregate amount in excess of the maximum amount set forth below for such fiscal year:

| Fiscal Year Ending ----- | Maximum Amount of Capital Expenditures ----- |
|-----------------------------|--|
| December 2003 | \$75,000,000 |
| December 2004 | \$90,000,000 |

and each fiscal year thereafter

provided, however, that to the extent that actual Capital Expenditures for any such fiscal year shall be less than the maximum amount set forth above for such fiscal year (without giving effect to the carryover permitted by this proviso), 50% of the difference between said stated maximum amount and such actual Capital Expenditures shall, in addition, be available for Capital Expenditures in the next succeeding fiscal year.

(i) Foreign Subsidiary Debt. Permit any of its Subsidiaries organized under the laws of any jurisdiction outside the United States to create, incur, assume or suffer to exist, any Debt, other than:

(i) Debt owed to the Borrower or a wholly owned Subsidiary of the Borrower,

(ii) Debt existing on the Effective Date and described on Schedule 5.02(i) hereto (the "Existing Foreign Subsidiary Debt"), and any Debt extending the maturity of, or refunding or refinancing, in whole or in part, the Existing Debt, provided that the principal amount of such Existing Debt shall not be increased above the principal amount thereof outstanding immediately prior to such extension, refunding or refinancing, and the direct and contingent obligors therefor shall not be changed, as a result of or in connection with such extension, refunding or refinancing

(iii) unsecured Debt aggregating for all of such Subsidiaries not more than \$25,000,000 at any time outstanding, and

(iv) endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

(j) Prepayments 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 Borrower or any Subsidiary of the Borrower 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 Debt under the Receivables Financing, (iv) prepay any Debt payable to the Borrower by any of its Subsidiaries, (v) prepay the Borrower's 9 3/8% Senior Notes due 2003 with the proceeds of the proceeds of the Debt contemplated by Section 3.01(j) deposited into escrow on the Effective Date, (vi) renew, extend, refinance and refund Debt on terms no less favorable to the Borrower or its Subsidiary obligated thereunder, including as to weighted average maturity and final maturity, than the Debt referred to in Section 3.01(j), and (vii) prepay any other obligations on any Debt with funds other than proceeds of Advances 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 immediately preceding calendar month) is not less than the greater of (x) \$210,000,000 reduced by the amount of any Scheduled Other Debt Payment made during said preceding month, and (y) \$150,000,000, and (B) the Adjusted EBITDA of the Borrower and its Subsidiaries for the twelve-month period ending on the last day of the most recently completed Fiscal Period is not less than \$200,000,000.

(k) Partnerships, Etc. Become a general partner in any general or limited partnership or joint venture, or permit any of its Subsidiaries to do so, other than any Subsidiary the sole assets of which consist of its interest in such partnership or joint venture or as permitted pursuant to Section 5.02(e)(iv),

SECTION 5.03. Financial Covenants. So long as any Advance shall remain unpaid, any Lender shall have any Commitment hereunder or any Letter of Credit shall be outstanding, the Borrower will:

(a) Interest Coverage Ratio. Maintain an Interest Coverage Ratio during each fiscal quarter set forth below of not less than the ratio set opposite such fiscal period:

| Period | Ratio |
|---|--------|
| July 1, 2003 through December 31, 2003 | 1.00:1 |
| January 1, 2003 through March 31, 2004 | 1.25:1 |
| April 1, 2004 through June 30, 2004 | 1.50:1 |
| July 1, 2004 through September 30, 2004 | 2.00:1 |
| October 1, 2004 through March 31, 2005 | 2.25:1 |
| April 1, 2005 through June 30, 2005 | 2.50:1 |
| July 1, 2005 through March 31, 2006 | 2.75:1 |
| April 1, 2006 through June 30, 2006 | 3.00:1 |
| July 1, 2006 and thereafter | 3.25:1 |

(b) Borrowed Debt/Adjusted EBITDA Ratio. Maintain a Borrowed Debt/Adjusted EBITDA Ratio during each fiscal quarter set forth below of not more than the ratio set opposite such fiscal period:

| Period | Ratio |
|---|---------|
| July 1, 2003 through September 30, 2003 | 11.00:1 |
| October 1, 2003 through December 31, 2003 | 9.00:1 |
| January 1, 2004 through March 31, 2004 | 7.85:1 |
| April 1, 2004 through June 30, 2004 | 6.85:1 |
| July 1, 2004 through September 30, 2004 | 5.50:1 |
| October 1, 2004 through March 31, 2005 | 4.85:1 |
| April 1, 2005 through June 30, 2005 | 4.50:1 |
| July 1, 2005 through September 30, 2005 | 4.25:1 |
| October 1, 2005 through March 31, 2006 | 3.85:1 |
| April 1, 2006 through June 30, 2006 | 3.75:1 |
| July 1, 2006 and thereafter | 3.25:1 |

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable; or the Borrower shall fail to pay any interest on any Advance or make any other payment of fees or other amounts payable under this Agreement or any Note within three days after the same becomes due and payable; or

(b) Any representation or warranty made by the Borrower herein or in any other Loan Document or by the Borrower (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d), (i)(iv), 5.02 or 5.03, or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Agent or any Lender; or

(d) The Borrower or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal or notional amount of at least \$15,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(e) The Borrower or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower or any of its Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Judgments or orders for the payment of money in excess of \$15,000,000 in the aggregate shall be rendered against the Borrower or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; provided, however, that any such judgment or order shall not be

an Event of Default under this Section 6.01(f) if and for so long as (i) the amount of such judgment or order is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof and (ii) such insurer, which shall be rated at least "A" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, the amount of such judgment or order; or

(g) Any non-monetary judgment or order shall be rendered against the Borrower or any of its Subsidiaries that could be reasonably expected to have a Material Adverse Effect, and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) (i) Any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Borrower (or other securities convertible into such Voting Stock) representing 33-1/3% or more of the combined voting power of all Voting Stock of the Borrower; or (ii) during any period of up to 24 consecutive months, commencing after the date of this Agreement, individuals who at the beginning of such 24-month period were directors of the Borrower shall cease for any reason (other than due to death, disability or voluntary retirement) to constitute a majority of the board of directors of the Borrower (except to the extent that individuals who at the beginning of such 24-month period were replaced by individuals (x) elected by 50% of the remaining members of the nominating committee of the board of directors of the Borrower or (y) nominated for election by a majority of the remaining members of the nominating committee of the board of directors of the Borrower and thereafter elected as directors by the shareholders of the Borrower); or (iii) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation prior to the Termination Date, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Borrower; or

(i) Any ERISA Event shall have occurred and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of the Plan with respect to which such ERISA Event shall have occurred and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Borrower and its ERISA Affiliates related to any such ERISA Event) has, or is reasonably likely to have, a Material Adverse Effect; or

(j) The Borrower or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount that, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds \$15,000,000 or requires payments exceeding \$5,000,000 per annum; or

(k) The Borrower or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Borrower and its ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding \$15,000,000; or

(l) Any provision of any Loan Document after delivery thereof pursuant to Section 3.01 shall for any reason cease to be valid and binding on or enforceable against the Borrower, or the Borrower shall so state in writing; or

(m) Any Collateral Document or financing statement after delivery thereof pursuant to Section 3.01 shall for any reason (other than pursuant to the terms thereof or as otherwise permitted by the Loan Documents) cease to create a valid and perfection first priority lien on and security interest in the Collateral purported to be covered thereby;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances (other than Advances by an Issuing Bank or a Lender pursuant to Section 2.03(c)) and of the Issuing Banks to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code or other applicable bankruptcy statute, (A) the obligation of each Lender to make Advances (other than Advances by an Issuing Bank or a Lender pursuant to Section 2.03(c)) and of the Issuing Banks to issue Letters of Credit shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

SECTION 6.02. Actions in Respect of the Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Agent may with the consent, or shall at the request, of the Required Lenders, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, make demand upon the Borrower to, and forthwith upon such demand the Borrower will, (a) pay to the Agent on behalf of the Lenders in same day funds at the Agent's office designated in such demand, for deposit in the L/C Cash Collateral Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding or (b) make such other arrangements in respect of the outstanding Letters of Credit as shall be acceptable to the Required Lenders. If at any time the Agent determines that any funds held in the L/C Cash Collateral Account are subject to any right or claim of any Person other than the Agent and the Lenders or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrower will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited and held in the L/C Cash Collateral Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Collateral Account that the Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit, to the extent funds are on deposit in the L/C Cash Collateral Account, such funds shall be applied to reimburse the Issuing Banks to the extent permitted by applicable law. After all such Letters of Credit shall have expired or been fully drawn upon and all other obligations of the Borrower hereunder and under the Notes shall have been paid in full, the balance, if any, in such LC Cash Collateral Account shall be returned to the Borrower.

ARTICLE VII

THE AGENT

SECTION 7.01. Authorization and Action. Each Lender (in its capacities as a Lender and Issuing Bank, as applicable) hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives an Assignment and Acceptance entered into by such Lender, as assignor, and an

Eligible Assignee, as assignee, as provided in Section 8.07; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03. Citicorp and Affiliates. With respect to its Commitments, the Advances made by it and the Note issued to it, Citicorp shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citicorp in its individual capacity. Citicorp and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if Citicorp were not the Agent and without any duty to account therefor to the Lenders.

SECTION 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01(e) and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. Indemnification. (a) The Lenders agree to indemnify the Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Advances then owed to each of them (or if no Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement (collectively, the "Indemnified Costs"), provided that no Lender shall be liable for any portion of the Indemnified Costs resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any Lender or a third party (other than a third party with which a Lender contracts to obtain deposits to fund an Advance with respect to claims arising from such contract).

(b) Each Lender severally agrees to indemnify the Issuing Banks (to the extent not promptly reimbursed by the Borrower) from and against such Lender's ratable share (determined as provided below) of 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 any such Issuing Bank in any way relating to or arising out of this Agreement or any action taken or omitted by such Issuing Bank hereunder or in connection herewith; provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Issuing Bank's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse any

such Issuing Bank promptly upon demand for its ratable share of any costs and expenses (including, without limitation, fees and expenses of counsel) payable by the Borrower under Section 8.04, to the extent that such Issuing Bank is not promptly reimbursed for such costs and expenses by the Borrower.

(c) For purposes of this Section 7.05, the Lenders' respective Ratable Shares of any amount shall be determined, at any time, according to the sum of (a) the aggregate principal amount of the Advances outstanding at such time and owing to the respective Lenders and (b) their respective Unused Commitments at such time. The failure of any Lender to reimburse the Agent promptly upon demand for its ratable share of any amount required to be paid by the Lenders to the Agent as provided herein shall not relieve any other Lender of its obligation hereunder to reimburse the Agent for its ratable share of such amount, but no Lender shall be responsible for the failure of any other Lender to reimburse the Agent for such other Lender's ratable share of such amount. Without prejudice to the survival of any other agreement of any Lender hereunder, the agreement and obligations of each Lender contained in this Section 7.05 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

SECTION 7.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Agent, which successor Agent, so long as no Default has occurred and is continuing, shall be approved by the Borrower, which approval shall not be unreasonably withheld or delayed. If no successor Agent shall have been so appointed by the Required Lenders in accordance with the immediately preceding sentence, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 7.07. Other Agents. Each Lender hereby acknowledges that neither the documentation agent, syndication agent nor any other Lender designated as any "Agent" on the signature pages hereof has any liability hereunder other than in its capacity as a Lender.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) increase the Revolving Credit Commitments of the Lenders or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment or mandatory prepayment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, (f) release any Collateral in any transaction other than (x) sales of Inventory in the ordinary course of business or (y) in connection with the sale of any assets listed on Schedule 5.02(d) or permit the creation, incurrence, assumption or existence of any Lien on any Collateral to secure any obligations other than obligations owing to the Secured Parties under the Loan Documents or (g) amend this Section 8.01; and provided further that (x) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the

Agent under this Agreement or any other Loan Document, (y) no amendment, waiver or consent of Section 8.07(i) shall, unless in writing and signed by each Lender that has granted a funding option to an SPC in addition to the Lenders required above to take such action, affect the rights or duties of such Lender or SPC under this Agreement or any other Loan Document and (z) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Banks in additions to the Lenders required above to take such action, adversely affect the rights or obligations of the Issuing Banks under this Agreement.

SECTION 8.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed, telecopied, telegraphed, telexed or delivered, if to the Borrower, at the address of the Borrower at 33587 Walker Road, Avon Lake, Ohio 44012, Attention: Treasurer; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at Two Penns Way, Suite 200, New Castle, Delaware 19720, Attention: Bank Loan Syndications Department; or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All such notices and communications shall be effective when received. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs and Expenses. (a) The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, appraisal, consultant, and audit expenses and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement. The Borrower further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 8.04(a).

(b) The Borrower agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence of Hazardous Materials on any property of the Borrower or any of its Subsidiaries or any Environmental Action relating in any way to the Borrower or any of its Subsidiaries, in each case of such an investigation, litigation or other proceeding to which the indemnity in this Section 8.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense resulted from such Indemnified Party's gross negligence or willful misconduct. The Borrower also agrees not to assert any claim against the Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys and agents, on any theory of liability, for special or indirect damages arising out of or otherwise relating to the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances.

(i) Each Indemnified Party shall, promptly after becoming aware of any actual or threatened action or claim against such Indemnified Party in respect of which indemnification may be sought against the Borrower pursuant to this Section 8.04(b), notify the Borrower in writing of such action or claim. In case any such action shall be brought against any Indemnified Party and such Indemnified Party shall notify the Borrower of the commencement thereof, the Borrower may participate therein or assume the defense thereof and after notice from the Borrower to such Indemnified Party of an election so to assume the defense thereof, such Indemnified Party shall cooperate fully, completely and promptly in the defense thereof, including without limitation, the settlement of outstanding claims, and the Borrower will not be liable to such Indemnified Party under this Section 8.04(b) for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation incurred with the consent of the Borrower, which consent shall not be unreasonably withheld or delayed; provided, however, that unless and until the Borrower so assumes the defense of any such action, the Borrower shall have the right to participate at its own expense in the defense of any such action to which it is a party. If the Borrower shall not have so assumed the defense of any such action or if any Indemnified Party shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to the Borrower (in which case the Borrower shall not have the right to direct the defense of such action on behalf of such Indemnified Party), legal and other expenses incurred by such Indemnified Party shall be borne by the Borrower; provided that the Borrower shall be liable only for the expenses of a single legal counsel for all Indemnified Parties in connection with any single action. Notwithstanding the foregoing, the Borrower shall not be liable for any settlement of any action or claim effected without its consent.

(ii) The Borrower will not settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification has been sought hereunder (whether or not an Indemnified Party is a party to such claim, action, suit or proceeding) without the prior written consent of the Agent, unless such settlement, compromise or consent includes an unconditional release of the Agent and each Indemnified Party from all liability arising from such claim, action, suit or proceeding.

(c) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance is made by the Borrower to or for the account of a Lender (i) other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.08, 2.10 or 2.12, acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a) or (ii) as a result of a payment or Conversion pursuant to Section 2.08, 2.10 or 2.12, the Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion or as a result of any inability to Convert or redenominate in the case of Section 2.08 or 2.12, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

SECTION 8.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time that payment owed to such Lender is not made by the Borrower to the Agent when due and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmaturing. Each Lender agrees promptly to notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of

such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 8.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Borrower and the Agent and when the Agent shall have been notified by each Initial Lender and each Initial Issuer that such Initial Lender or Initial Issuer has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 8.07. Assignments and Participations. (a) Each Lender may and, if demanded by the Borrower (following a demand by such Lender pursuant to Section 2.11 or 2.14) upon at least 20 Business Days' notice to such Lender and the Agent, will assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment, the Advances owing to it and the Note or Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement, (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Revolving Credit Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$2,500,000 or an integral multiple of \$500,000 in excess thereof, (iii) each such assignment shall be to an Eligible Assignee, (iv) each such assignment made as a result of a demand by the Borrower pursuant to this Section 8.07(a) shall be arranged by the Borrower after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (v) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 8.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, and (vi) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note subject to such assignment and a processing and recordation fee of \$3,500 payable by the parties to each such assignment, provided, however, that in the case of each assignment made as a result of a demand by the Borrower, such recordation fee shall be payable by the Borrower except that no such recordation fee shall be payable in the case of an assignment made at the request of the Borrower to an Eligible Assignee that is an existing Lender, and (vii) any Lender may, without the approval of the Borrower and the Agent, assign all or a portion of its rights to any of its Affiliates. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Section 2.11, 2.14 and 8.04 to the extent any claim thereunder relates to an event arising prior such assignment) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning

Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower.

(d) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders, with respect to Lenders, and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Each Lender may grant to a special purpose funding vehicle (an "SPC") the option to fund all or any part of any Advance that such Lender is obligated to fund under this Agreement (and upon the exercise by such SPC of such option to fund, such Lender's obligations with respect to such Advance shall be deemed satisfied to the extent of any amounts funded by such SPC); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (iv) any such option granted to an SPC shall not constitute a commitment by such SPC to fund any Advance, (v) neither the grant nor the exercise of such option to an SPC shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including, without limitation, its obligations under Section 2.09) (vi) the SPC shall be bound by the provisions of Section 8.08 and (vii) no SPC shall have any right to approve any

amendment or waiver of any provision of this Agreement or any Note, nor any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such grant of funding option, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such grant of funding option. Each party to this Agreement hereby agrees that no SPC shall be liable for any indemnity or payment under this Agreement for which a Lender would otherwise be liable. Subject to the foregoing provisions of this clause (f), an SPC shall have all the rights of the granting Lender. An SPC may assign or participate all or a portion of its interest in any Advances to the granting Lender or to any financial institution providing liquidity or credit support to or for the account of such SPC without paying any processing fee therefor and, in connection therewith may disclose on a confidential basis any information relating to the Borrower to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancements to such SPC. In furtherance of the foregoing, each party hereto agrees (which agreements shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof.

(g) Any Lender may, in connection with any assignment, participation or grant of funding option or proposed assignment, participation or grant of funding option pursuant to this Section 8.07, disclose to the assignee, participant or SPC or proposed assignee, participant or SPC, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee, participant or SPC or proposed assignee, participant or SPC shall agree to preserve the confidentiality of any Confidential Information relating to the Borrower received by it from such Lender.

(h) Each Issuing Bank may assign to an Eligible Assignee its rights and obligations or any portion of its undrawn Letter of Credit Commitment at any time; provided, however, that (i) the amount of the Letter of Credit Commitment of the assigning Issuing Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$1,000,000 or an integral multiple of \$1,000,000 in excess thereof, and (ii) 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 recordation fee of \$3,500.

(i) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 8.08. Confidentiality. Neither the Agent nor any Lender or SPC shall disclose any Confidential Information to any other Person without the consent of the Borrower, other than (a) to the Agent's or such Lender's Affiliates and their officers, directors, employees, agents and advisors and, as contemplated by Section 8.07(g), to actual or prospective assignees and participants, and then only on a confidential basis, (b) as required by any law, rule or regulation or judicial process, (c) to any rating agency when required by it, provided that, prior to any such disclosure such rating agency shall undertake to preserve the confidentiality of any Confidential Information relating to the Borrower received by it from such Lender, (d) in connection with any legal proceedings to which such Person is a party, and then only on a confidential basis and (e) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking. Notwithstanding anything herein to the contrary, the Agent and the Lenders may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Agent or the Lenders relating to such U.S. tax treatment and tax structure.

SECTION 8.09. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8.11. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Borrower hereby agrees that service of process in any such action or proceeding brought in the any such New York State court or in such federal court may be made upon the Borrower at 33587 Walker Road, Avon Lake, Ohio 44012, Attention: Secretary. The Borrower hereby further irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, to the Borrower at its address specified pursuant to Section 8.02. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 8.12. No Liability of the Issuing Banks. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither an Issuing Bank nor any of its officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by such Issuing Bank against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, except that the Borrower shall have a claim against such Issuing Bank, and such Issuing Bank shall be liable to the Borrower, to the extent of any direct, but not consequential damages suffered by the Borrower that the Borrower proves were caused by (i) such Issuing Bank's willful misconduct or gross negligence as determined in a final, non-appealable judgment by a court of competent jurisdiction in determining whether documents presented under any Letter of Credit comply with the terms of the Letter of Credit or (ii) such Issuing Bank's willful failure to make lawful payment under a Letter of Credit after the presentation to it of a draft and certificates strictly complying the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, such 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.

SECTION 8.13. Authorization of Agent and Collateral Trustees. Upon execution of this Agreement by the Required Lenders, the Lenders hereby (a) authorize the Agent to instruct the Collateral Trustees to (i) release from the Lien of the Security Agreement dated as of January 25, 2002 the assets listed on Schedule 8.13 hereto, (ii) release the mortgages made by the Borrower or its Subsidiaries pursuant to the Existing Credit Agreement and related to the properties listed on Schedule 8.13, (iii) execute the amendments to the Mortgages described in Section 3.01(h)(v), (iv) execute and deliver the amendments to the Collateral Trust Agreements contemplated by Section 3.01(h)(vi), (v) execute and deliver the Intercreditor Agreement, and (vi) terminate the Shared Collateral Pledge Agreement (as defined in the Existing Credit Agreement) and release from the Lien of the Shared Collateral Pledge Agreement the "Collateral" as defined therein, (b) authorize the Agent to (i) execute on behalf of the Lenders the Intercreditor Agreement, (ii) execute all documents to be executed by it relating to the

resignation of State Street Bank and Trust Company, N.A., as corporate trustee, the appointment of U.S. Bank Trust National Association having its principal place of business in New York, New York, as successor corporate trustee, and the continued appointment of Angelita Pena, as individual trustee, under the Collateral Documents, and (iii) take such other action as shall be reasonably necessary to consummate the transactions contemplated by this Section 8.13 and (c) terminate the Subsidiary Guaranty, as defined in the Existing Credit Agreement.

SECTION 8.14. Waiver of Jury Trial. Each of the Borrower, the Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

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

POLYONE CORPORATION

By _____
Title:

CITICORP USA, INC.,
as Agent

By _____
Title:

Letter of Credit Commitment
\$35,000,000

NATIONAL CITY BANK

By _____
Title:

\$35,000,000 Total of the Letter of Credit Commitments

Initial Lenders

Revolving Credit Commitment
\$28,000,000

CITICORP USA, INC.

By _____
Title:

\$13,000,000

NATIONAL CITY COMMERCIAL FINANCE, INC.

By _____
Title:

\$9,000,000

KEYBANK NATIONAL ASSOCIATION

By _____
Title:

\$50,000,000 Total of the Revolving Credit Commitments

SCHEDULE I
POLYONE CORPORATION
AMENDED AND RESTATED CREDIT AGREEMENT
APPLICABLE LENDING OFFICES

NAME OF INITIAL LENDER

DOMESTIC LENDING OFFICE

EURODOLLAR LENDING OFFICE

Citicorp USA, Inc.

Two Penns Way, Suite 200
New Castle, DE 19720
Attn: Pam Cole
T: 302 894-6016
F: 302 894-6120

Two Penns Way, Suite 200
New Castle, DE 19720
Attn: Pam Cole
T: 302 894-6016
F: 302 894-6120

Keybank National Association

127 Public Square,
MC OH-01-27-0606
Cleveland, OH 44114
Attn: Marianne Meil
T: 216 689-3549
F: 216 689-4981

127 Public Square,
MC OH-01-27-0606
Cleveland, OH 44114
Attn: Marianne Meil
T: 216 689-3549
F: 216 689-4981

National City Commercial Finance, Inc.

1965 East 6th Street, Suite 400
Locator 01-3049
Cleveland, OH 44114
Attn: James Ritchie
T: (216) 222-9918
F: (216) 222-9555

1965 East 6th Street, Suite 400
Locator 01-3049
Cleveland, OH 44114
Attn: James Ritchie
T: (216) 222-9918
F: (216) 222-9555

SCHEDULE II
POLYONE CORPORATION
AMENDED AND RESTATED CREDIT AGREEMENT

MORTGAGED PROPERTIES

| Facility Name ----- | State ----- |
|------------------------|----------------|
| Kennesaw | GA |
| Macedonia | OH |
| Massillon | OH |
| Seabrook | TX |
| Long Beach | CA |
| Terre Haute | IN |
| Avon Lake HQ | OH |
| Avon Lake Mfg | OH |
| Avon Lake PCC | OH |
| Lehigh Valley | PA |
| Sussex | WI |
| North Baltimore | OH |
| Elk Grove | IL |
| Norwalk | OH |
| Fort Worth | TX |

SCHEDULE 2.01(b)
 POLYONE CORPORATION
 AMENDED AND RESTATED CREDIT AGREEMENT

POLYONE CORPORATION
 LETTER OF CREDIT SUMMARY
 AS OF 5/1/2003

| ISSUING BANK | BENEFICIARY | OUTSTANDING 5/1/2003 | LC NUMBER | EXPIRATION DATE | PURPOSE |
|--------------|----------------------------------|----------------------------------|-------------------------|--------------------|----------------------------------|
| Citibank | MAH Supplemental Retirement Plan | \$ 7,279,000 | NY00928-30028011 | 8/16/2003 | MAH Supplemental retirement Plan |
| Citibank | Liberty Mutual Insurance Company | \$ 2,400,000 | NY-00928-30033915 | 11/20/2003 | Environmental |
| Citibank | United Missouri Bank | \$ 1,528,949 | NY-00928-30029111 | 6/30/2003 | MAH Executive Insurance |
| Citibank | Nat Union Fire Ins., Pittsburgh | \$ 1,300,000 | NY-00881-30035056 | 4/30/2004 | Workers Compensation |
| Citibank | Nat Union Fire Ins., Pittsburgh | \$ 135,523 | NY-00928-30032148 | 4/18/2004 | Workers Compensation |
| Citibank | United Missouri Bank | \$ 100,000 | NY-00928-30029112 | 6/30/2003 | MAH Executive Insurance |
| KeyBank | State of Washington | \$ 290,000 | S97/94848 | 7/2/2003 | Environmental |
| NCB | Reliance National Indemnity Co. | \$ 5,808,381 | SCL007823 | 5/13/2004 | Workers Compensation |
| NCB | B-Star, Inc | \$ 1,790,000 | SCL007336 | 1/15/2004 | Defendant lawsuit security |
| NCB | Commonwealth of KY | \$ 1,571,612 | SCL008206 | 5/8/2004 | Workers Compensation |
| NCB | NJ Dept. of Environment | \$ 1,000,000 | SCL008341 | 11/1/2003 | Environmental |
| NCB | State of California | \$ 220,000 | SCL007752 | 4/30/2004 | Workers Compensation |
| NCB | The Normandy Group | \$ 380,000 | TO BE ISSUED - 5/1/2003 | 9/30/2003 | Material payment security. |
| NCB | Commonwealth of Virginia | \$ 12,160 | 75R 356 009 | 7/11/2003 | Environmental |
| | | TOTAL OUTSTANDING 5/1/2003 | | | |
| | | ----- | | | |
| | TOTAL L/C'S OUTSTANDING | \$ 23,815,625 | | | |
| | | ----- | | | |

SCHEDULE 3.01(b)
DISCLOSED LITIGATION

CALVERT CITY REMEDIATION- The Borrower has assumed remediation obligations for a Superfund site located in Calvert City, Kentucky

CHEMICAL AND ASBESTOS EXPOSURE CASES- The Borrower and certain of its subsidiaries currently defend chemical product exposure cases and asbestos exposure cases. The Borrower and certain of its subsidiaries have been named in suits involving multiple claimants and defendants relating to alleged asbestos exposure and/or chemical exposure in the past by, among others, workers and their families at plants owned by the Borrower, certain subsidiaries or by their predecessors, or on board ships owned or operated by a predecessor of the Borrower, members of the public who claim exposure to certain chemical products manufactured by the Borrower and its predecessor(s) and (as to chemical exposure only) workers at manufacturing facilities of others.

SCHEDULE 5.02(a)
EXISTING LIENS

| FILING LOCATION ----- | SECURED PARTY ----- | FILE NUMBER ----- | ORIGINAL FILE DATE ----- | DESCRIPTION OF COLLATERAL ----- |
|--------------------------|---|----------------------|--------------------------------|------------------------------------|
| A. UCC FILINGS | | | | |
| Cuyahoga County, Ohio | Newcourt Communications Finance Corporation | 708852 | 9/28/00 | Equipment |
| Cuyahoga County, Ohio | CIT Communications Finance Corporation | 735973/1684 | 3/05/01 | Equipment |
| Cuyahoga County, Ohio | Comdisco, Inc. | 744539/1700 | 4/17/01 | Leased equipment |
| Cuyahoga County, Ohio | Comdisco, Inc. | 744538/1700 | 4/17/01 | Leased equipment |
| Cuyahoga County, Ohio | Comdisco, Inc. | 750551/1710 | 5/15/01 | Leased equipment |
| Cuyahoga County, Ohio | The Geon Company | 1288530 | 8/15/94 | Accounts and inventory |
| Cuyahoga County, Ohio | Citicorp North America | 200009139066 | 9/13/00 | Inventory |
| Cuyahoga County, Ohio | CIT Communications Finance Corporation | 200012279125 | 12/27/00 | Leased equipment |
| Cuyahoga County, Ohio | Safeco Credit Co. Inc. | 200103149060 | 3/14/01 | Lease |
| Cuyahoga County, Ohio | CIT Group/Equipment Financing, Inc. | 200105019029 | 5/01/01 | Equipment |
| Cuyahoga County, Ohio | LINC Quantum Analytics | 200106019005 | 06/01/01 | Equipment |
| Cuyahoga County, Ohio | General Electric Capital Corporation | 1407081 | | Lease |
| Delaware | Toyota Motor Credit Corp. | 11179428 | 09/18/01 | Leased equipment |
| Delaware | Toyota Motor Credit Corp. | 20218663 | 12/27/01 | Lease |
| Delaware | Toyota Motor Credit Corp. | 20218689 | 12/27/01 | Lease |
| Delaware | CitiCorp | 20991228 | 4/20/02 | All Accounts |
| Delaware | Toyota Motor Credit Corp. | 21037898 | 4/04/02 | Lease |
| Delaware | State Street Bank and Trust Company, N.A., as Corporate Trustee | 21244825 | 5/17/02 | Blanket Lien |
| Delaware | CitiCorp | 21281264 | 5/22/02 | |
| Delaware | CitiCorp | 21299605 | 5/24/02 | |

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| Delaware | GFC Leasing | 21801780 | 6/24/02 | Lease |
| Delaware | GFC Leasing | 22093767 | 8/19/02 | Leased equipment |
| Delaware | Toyota Motor Credit Corp. | 22352791 | 9/18/02 | Lease |
| Delaware | Toyota Motor Credit Corp. | 22417834 | 9/25/02 | Lease |
| Delaware | Crompton Corporation and its wholly owned direct and indirect subsidiaries | 30566797 | 3/07/03 | Consignment inventory |
| Delaware | State Street Bank and Trust Company, N.A., as Corporate Trustee | 21243884 | 5/17/02 | Blanket Lien |
| Delaware | Crompton Corporation and its wholly owned direct and indirect subsidiaries | 30566797 | 3/07/03 | Consignment inventory |
| Delaware | General Electric Capital Corporation | 22057564 | 8/08/02 | Lease |
| Delaware | BASF Corporation | 20136774 | 12/14/01 | Consignment inventory |
| Depart. Of Financial Inst. Wisconsin | Newcourt Communications Finance Corp. | 01938367 | 3/21/00 | Leased equipment |
| Harris County Texas | 1994 VCM Inc. | ###-##-#### | 8/19/94 | Leased equipment |
| Harris County Texas | 1994 VCM Inc. | ###-##-#### | 12/4/95 | Leased equipment |
| Harris County Texas | 1994 VCM Inc. | ###-##-#### | 12/26/96 | Leased equipment |
| Harris County Texas | 1994 VCM Inc | ###-##-#### | 5/5/99 | Leased equipment |
| Harris County Texas | 1994 VCM Inc. | ###-##-#### | 5/5/99 | Leased equipment |
| Iberville Parish Louisiana | AT&T Credit Corp. | Book 24 Entry 21676 | 12/11/97 | Leased equipment |
| Iberville Parish Louisiana | AT&T Credit Corp. | Book 24 Entry 19581 | 2/28/96 | Leased equipment |
| Illinois | GFC Leasing | 4815135 | 1/04/01 | Lease |
| Illinois | CitiCorp | 4357660 | 3/21/01 | All Accounts |
| Illinois | Toyota Motor Credit Corp. | 4393993 | 6/05/01 | Leased equipment |
| Illinois | Toyota Motor Credit Corp. | 4396268 | 6/11/01 | Leased equipment |
| Jefferson Cnty. Kentucky | IBM Credit Corp. | 97-00630 | 1/22/97 | Leased equipment |

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| Jefferson Cnty. Kentucky | Arrowhead Industrial Water Inc. | 94-01627 | 2/22/94 | Leased equipment |
| Jefferson Cnty. Kentucky | Arrowhead Industrial Water Inc. | 98-11018 | 12/18/98 | Leased equipment |
| Jefferson Cnty. Kentucky | Digital Financial Services | 96-01124 | 2/7/96 | Leased equipment |
| Jefferson Cnty. Kentucky | TMCC | 96-05992 | 7/10/96 | Leased equipment |
| Jefferson Cnty. Kentucky | Safeco Credit Co. Inc. | 98-10779 | 12/11/98 | Leased equipment |
| Lorain County, Ohio | AT&T Credit Corp. | 273701 | 6/28/95 | Leased equipment |
| Lorain County, Ohio | AT&T Credit Corp. | 273700 | 6/28/95 | Leased equipment |
| Lorain County, Ohio | AT&T Credit Corp. | 273770 | 7/5/95 | Leased equipment |
| Lorain County, Ohio | AT&T Credit Corp. | 428076 | 9/30/96 | Leased equipment |
| Lorain County, Ohio | AT&T Credit Corp. | 435714 | 11/8/96 | Leased equipment |
| Lorain County, Ohio | Yale Financial Services, Inc. | 438007 | 11/22/96 | Leased equipment |
| Lorain County, Ohio | Yale Financial Services, Inc. | 438008 | 11/22/96 | Leased equipment |
| Lorain County, Ohio | Copelco Capital Inc. | 439670 | 12/10/96 | Leased equipment |
| Lorain County, Ohio | IBM Credit Corp. | 447200 | 1/21/97 | Leased equipment |
| Lorain County, Ohio | IBM Credit Corp. | 465494 | 5/5/97 | Leased equipment |
| Lorain County, Ohio | IBM Credit Corp. | 465497 | 5/5/97 | Leased equipment |
| Lorain County, Ohio | IBM Credit Corp. | 475971 | 6/30/97 | Leased equipment |
| Lorain County, Ohio | IBM Credit Corp. | 482154 | 8/5/97 | Leased equipment |
| Lorain County, Ohio | AT&T Credit Corp. | 484869 | 8/20/97 | Leased equipment |
| Lorain County, Ohio | IBM Credit Corp. | 485823 | 8/26/97 | Leased equipment |
| Lorain County, Ohio | AT&T Credit Corp. | 505835 | 12/10/97 | Leased equipment |
| Lorain County, Ohio | Citicorp North America | 556926 | 6/24/99 | Leased equipment |

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| Lorain County, Ohio | KeyCorp Leasing | 557353 | 8/19/99 | Leased equipment |
| Lorain County, Ohio | AT&T Credit Corp. | 560982 | 9/8/98 | Leased equipment |
| Lorain County, Ohio | Advanta Business Services | 273445 | 6/14/95 | Leased equipment |
| Lorain County, Ohio | AT&T Credit Corp. | 276005 | 10/31/95 | Leased equipment |
| Lorain County, Ohio | Citicorp North America | 556926 | 8/17/98 | Leased equipment |
| Lorain County, Ohio | Newcourt Communications Finance Corp. | 656379 | 12/1/99 | Leased equipment |
| Lorain County, Ohio | Yale Financial Services, Inc. | 438007 | 11/22/96 | Lease |
| Lorain County, Ohio | CitiCorp | 556926 | 4/17/98 | All Accounts |
| Lorain County, Ohio | KeyCorp Leasing | 557353 | 8/19/98 | Lease |
| Lorain County, Ohio | AT&T Credit Corporation | 560982 | 9/08/98 | Lease |
| Lorain County, Ohio | NewCourt Communications Finance Corporation | 656379 | 12/01/98 | Lease |
| Lorain County, Ohio | NewCourt Communications Finance Corporation | 699448 | 8/07/00 | Lease |
| Lorain County, Ohio | NewCourt Communications Finance Corporation | 704832 | 9/07/00 | Lease |
| Ontario | IBM Canada Ltd. | 844821621 | 9/29/98 | Equipment, Accounts, Other |
| Ontario | Newcourt Financial Ltd. | 843754446 | 8/20/98 | Inventory, Equipment, Accounts Other, Motor Vehicle Included |
| Ontario | Hewlett-Packard (Canada) Ltd. | 843396885 | 8/7/98 | Equipment, Other |
| Ontario | Xerox Canada Ltd. | 836526789 | 12/4/97 | Equipment, Other |
| Ontario | Municipal Trust Co. | 822352527 | 5/31/96 | Equipment 1-Canon LC5500 Facsimile Unit 1-Canon NP6025 Photo Copier 1-Destroyit 2402CC Shredder and the proceeds of the foregoing |
| Ontario | Teletech Financial Corp. | 817292376 | 10/10/95 | Equipment, Other |
| Ontario | PHH Canada Inc. | 802486656 | 10/1/92 | Equipment, Other, Motor |

| | | | | Vehicle Included |
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| Ontario | GE Capital Canada Inc. | 859446198 | 2/23/00 | Equipment, Other |
| Ontario | Liftow Limited | 861459327 | 5/3/00 | Equipment, Other, Motor Vehicle Included 2000 Toyota 7FG18; VIN: 12194 |
| Ontario | GMAC Leaseco Limited | 855814365 | 10/14/99 | Consumer Goods, Equipment, Other, Motor Vehicle Included 1999 Chevrolet S Truck VIN: 1GCCS1444XK219469 |
| Ontario | GMAC Leaseco Limited | 855484677 | 10/4/99 | Consumer Goods, Equipment, Other, Motor Vehicle Included 1999 Chevrolet Silverado VIN: 1GCEC14T4XE224621 |
| Ontario | Donlen Fleet Leasing Ltd. | 851461875 | 5/28/99 | Equipment, Other, Motor Vehicle Included 1999 Pontiac Bonneville SE VIN: 1G2HX52K7XH221962 All improvements, additions, replacement parts or any other modifications of any nature shall be, and always remain, the property of the lessor, the whole without any compensation to the lessee. |
| Ontario | Donlen Fleet Leasing Ltd. | 851461884 | 5/28/99 | Equipment, Other, Motor Vehicle Included 1999 Pontiac Bonneville SE VIN: 1G2HX52K4XH222065 All improvements, additions, replacement parts or any other modifications of any nature shall be, and always remain, the property of the lessor, the whole without any compensation to the lessee. |
| Ontario | Donlen Fleet Leasing Ltd. | 851461893 | 5/28/99 | Equipment, Other, Motor Vehicle Included 1999 Jeep Cherokee VIN: 1J4FF78S7XL579773 All improvements, additions, |

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| | | | | replacement parts or any other modifications of any nature shall be, and always remain, the property of the lessor, the whole without any compensation to the lessee. |
| Ontario | Donlen Fleet Leasing Ltd. | 851461902 | 5/28/99 | Equipment, Other, Motor Vehicle Included 1999 Pontiac Bonneville SE VIN: 1G2HX52K6XH238638 All improvements, additions, replacement parts or any other modifications of any nature shall be, and always remain, the property of the lessor, the whole without any compensation to the lessee. |
| Ontario | AT&T Capital Canada Inc. | 837993339 | 2/2/98 | Equipment, Other |
| Ontario | Xerox Canada Ltd. | 836526789 | 12/4/97 | Equipment, Other |
| Ontario | Donlen Fleet Leasing Ltd. | 836258283 | 11/26/97 | Equipment, Other, Motor Vehicle Included 1998 Pontiac Bonneville VIN: 1G2HX52K7W4212135 1997 Pontiac Bonneville VIN: 1G2HX52K6VH254206 All improvements, additions, replacement parts or any other modifications of any nature shall be, and always remain, the property of the lessor, the whole without any compensation to the lessee. |
| Ontario | AT&T Capital Canada Inc. | 833882301 | 8/28/97 | Equipment, Other |
| Ontario | Associates Capital Limited | 826960176 | 12/9/96 | Equipment, Other |
| Ontario | IBM Canada Limited | 825540084 | 10/10/96 | Equipment, Accounts, Other |
| Ontario | Danka Business Systems Ltd. | 825392826 | 10/4/96 | Equipment, Other |
| Ontario | IBM Canada Limited | 823927986 | 8/1/96 | Equipment, Accounts, |

| | | | | Other |
|--------------------------------|---------------------------------------|-----------------|----------|---|
| Ontario | Danka Business Systems Ltd. | 822325041 | 5/31/96 | Equipment, Other |
| Ontario | Hitachi Credit Canada Inc. | 821219166 | 4/18/96 | Equipment, Other Computer equipment pursuant to lease agreement No. 374-12 dated April 1, 1996, and all amendments thereto, under schedule of terms for equipment lease agreement No. 374 dated March 25, 1991, and all amounts owing thereunder. |
| Ontario | PHH Canada Inc. | 802486656 | 10/1/92 | Equipment, Other Motor Vehicle Included |
| Quebec | National Leasing Group Inc. | 99-0132084-0003 | 8/17/99 | RSW Technik energy optimizer and related equipment described therein |
| Quebec | PHH Vehicle Management Services, Inc. | 99-0228671-0001 | 12/22/99 | All present and future motor vehicles |
| Quebec | Royal Bank of Canada | 95-0078805-0001 | 7/7/95 | Re-transfer and re-assignment of claims |
| Quebec | The Bank of Nova Scotia and | 94-0098896-0003 | 8/22/94 | Universality of all property, present and future, including claims, Shintech Inc. receivables, inventory, book debts, equipment and other movable property |
| Quebec | AT&T Capital Canada Inc. | 95-0095395-0023 | 8/16/95 | 6 Cannon fax machines and related equipment |
| Quebec | AT&T Capital Canada Inc. | 96-0110426-0002 | 9/6/96 | Copiers, collators and related equipment |
| Quebec | AT&T Capital Canada Inc. | 96-0025850-0005 | 3/5/96 | Copiers, collators and related equipment |
| Quebec | AT&T Capital Canada Inc. | 95-0071381-0007 | 6/20/95 | Copiers, collators and related equipment |
| Secretary of State, Colorado | The CIT Group Credit Finance Inc. | 099-19922072927 | 10/8/92 | Leased equipment |
| Secretary of State, California | AT&T Credit Corp. | 9734360328 | 12/5/97 | Leased equipment |

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| Secretary of State, California | Newcourt Communications Finance Corp. | 9913360864 | 5/12/99 | Leased equipment |
| Secretary of State, Colorado | Fidelcor Business Credit Corp. | 19882015682 | 3/16/88 | Leased equipment |
| Secretary of State, Colorado | Fidelcor Business Credit Corp. | 099-19882032426 | 5/4/88 | Leased equipment |
| Secretary of State, Colorado | The CIT Group Credit Finance Inc. | 099-19922072926 | 10/8/92 | Leased equipment |
| Secretary of State, Colorado | The CIT Group Credit Finance Inc. | 099-19942088799 | 12/1/94 | Leased equipment |
| Secretary of State, Colorado | The CIT Group Credit Finance Inc. | 099-19972094027 | 10/27/97 | Leased equipment |
| Secretary of State, Indiana | AT&T Credit Corp. | 2045493 | 4/3/96 | Leased equipment |
| Secretary of State, Indiana | AT&T Credit Corp. | 2075526 | 9/24/96 | Leased equipment |
| Secretary of State, KY | AT&T Credit Corp. | 139641 | 1/5/96 | Leased equipment |
| Secretary of State, KY | AT&T Credit Corp. | 143196 | 8/20/97 | Leased equipment |
| Secretary of State, KY | Newcourt Communications Finance Corp. | 1602095 | 10/21/99 | Leased equipment |
| Secretary of State, Missouri | Plasto-0-Meric, Inc. | 2790951 | 5/19/97 | Leased equipment |
| Secretary of State, NJ | AT&T Credit Corp. | UC-01675659 | 1/4/96 | Leased equipment |
| Secretary of State, NJ | AT&T Credit Corp. | UC-01693815 | 4/23/96 | Leased equipment |
| Secretary of State, NJ | IBM Credit Corporation | UC-01710839 | 7/15/96 | Leased equipment |
| Secretary of State, NJ | AT&T Credit Corp. | UC-01843825 | 6/15/98 | Leased equipment |
| Secretary of State, NJ | Newcourt Communications Finance Corp. | UC-01871122 | 11/9/98 | Leased equipment |
| Secretary of State, NJ | IBM Credit Corporation | UC-01883746 | 1/14/99 | Leased equipment |
| Secretary of State, NJ | Newcourt Communications Finance Corp. | UC-01943976 | 12/1/99 | Leased equipment |
| Secretary of State, NJ | Newcourt Communications Finance Corp. | UC-01943984 | 12/1/99 | Leased equipment |
| Secretary of State, NJ | Toyota Motor Credit | UC-01951075 | 12/30/99 | Leased equipment |
| Secretary of State, NJ | Advantage Bank | UC-01893206 | 3/11/99 | Leased equipment |

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| Secretary of State, Ohio | Citicorp North America | AL21925 | 8/15/94 | Leased equipment |
| Secretary of State, Ohio | Yale Financial Services | AN19393 | 11/19/96 | Leased equipment |
| Secretary of State, Ohio | Yale Financial Services | AN19409 | 11/19/96 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0072841 | 8/7/98 | Leased equipment |
| Secretary of State, Ohio | Citicorp North America | AP0077086 | 8/17/98 | Leased equipment |
| Secretary of State, Ohio | Keycorp Leasing | AP0077677 | 8/19/98 | Leased equipment |
| Secretary of State, Ohio | AT&T Credit Corp. | AP0080076 | 9/2/98 | Leased equipment |
| Secretary of State, Ohio | Safeco Credit Co. Inc. | AP0094262 | 10/21/98 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0100171 | 11/23/98 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0112853 | 1/4/99 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0145718 | 5/24/99 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0153269 | 6/16/99 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0176263 | 9/9/99 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0180968 | 9/20/99 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0188619 | 10/22/99 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0191197 | 10/27/99 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0195162 | 11/12/99 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0196196 | 11/22/99 | Leased equipment |
| Secretary of State, Ohio | Newcourt Communications Finance Corp. | AP0197242 | 12/1/99 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0197921 | 12/1/99 | Leased equipment |
| Secretary of State, Ohio | US Bank Trust | AP0217222 | 2/29/00 | Leased equipment |
| Secretary of State, Ohio | IBM Credit Corp. | AP0222347 | 3/20/00 | Leased equipment |

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| Secretary of State, Ohio | CitiCorp | AL21925 | 8/15/94 | Blanket |
| Secretary of State, Ohio | Minnesota Mining & Mfg | AL44935 | 11/28/94 | Inventory |
| Secretary of State, Ohio | Citicorp | AP280153 | 9/12/00 | All accounts |
| Secretary of State, Ohio | Citicorp | AP284296 | 9/27/00 | Equipment |
| Secretary of State, Ohio | CIT Communications Finance Corporation | AP304325 | 12/27/00 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | AP317257 | 1/25/01 | Leased equipment |
| Secretary of State, Ohio | GFC Leasing | AP316504 | 2/06/01 | Leased equipment |
| Secretary of State, Ohio | CIT Communications Finance Corporation | AP316016 | 3/05/01 | Leased equipment |
| Secretary of State, Ohio | Safeco Credit Co. Inc | AP319100 | 3/14/01 | Lease |
| Secretary of State, Ohio | Comdisco, Inc. | AP328526 | 4/17/01 | Lease |
| Secretary of State, Ohio | Comdisco, Inc. | AP328533 | 4/17/01 | Leased equipment |
| Secretary of State, Ohio | LINC Quantum Analytics | AP340867 | 5/30/01 | Equipment |
| Secretary of State, Ohio | NMHG Financial Services Inc. | OH00036157912 | 7/19/01 | Equipment |
| Secretary of State, Ohio | Tennant Financial Services | OH00037860712 | 8/27/01 | Equipment |
| Secretary of State, Ohio | Dana Corporation | OH00039806285 | 10/12/01 | Equipment |
| Secretary of State, Ohio | CISCO Systems Capital Corporation | OH00039906742 | 10/15/01 | Equipment |
| Secretary of State, Ohio | Harwick Standard Distributing Co. | OH00042190738 | 12/03/01 | Inventory |
| Secretary of State, Ohio | BASF Corporation | OH00042647474 | 12/13/01 | Inventory-consignment |
| Secretary of State, Ohio | CIBA Specialty Chemicals Corporation | OH00043096355 | 12/24/01 | Inventory |
| Secretary of State, Ohio | Crown Credit Company | OH00044256124 | 1/22/02 | Equipment |
| Secretary of State, Ohio | Crown Credit Company | OH00044256457 | 1/22/02 | Equipment |
| Secretary of State, Ohio | Tennant Financial Services | OH00044522301 | 1/28/02 | Equipment |
| Secretary of State, Ohio | Worldcom Communications, Inc. | OH00045792636 | 2/28/02 | Equipment |
| Secretary of State, Ohio | ICX Corporation | OH00046609165 | 3/18/02 | Equipment |

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| Secretary of State, Ohio | Comdisco, Inc. | OH00046635716 | 3/19/02 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00046636273 | 3/19/02 | Leased equipment |
| Secretary of State, Ohio | Tennant Financial Services | OH00046725373 | 3/20/02 | Leased equipment |
| Secretary of State, Ohio | Marlin Leasing Corp. | OH00047629421 | 4/09/02 | Leased equipment |
| Secretary of State, Ohio | CIT Communications Finance Corporation | OH00048194732 | 4/22/02 | Leased equipment |
| Secretary of State, Ohio | Citicorp North America | OH00048307026 | 4/23/02 | All accounts |
| Secretary of State, Ohio | Citicorp North America | OH00048359540 | 4/24/02 | |
| Secretary of State, Ohio | Toyota Motor Credit Corporation | OH00048716285 | 5/02/02 | Equipment |
| Secretary of State, Ohio | State Street Bank and Trust Company, N.A. and Angelita Pena | OH00049499941 | 5/17/02 | Blanket |
| Secretary of State, Ohio | AW Chesterton Company | OH00051263300 | 6/28/02 | Equipment |
| Secretary of State, Ohio | Crown Credit Company | OH00051500455 | 7/05/02 | Equipment |
| Secretary of State, Ohio | Bayer Corporation | OH00051752337 | 7/10/02 | Consignment inventory |
| Secretary of State, Ohio | Bayer Polymers LLC | 20030800302 | | |
| Secretary of State, Ohio | Hewlett-Packard Financial Services Company | OH00052279051 | 7/24/02 | Equipment |
| Secretary of State, Ohio | NMHG Financial Services Inc. | OH00053737509 | 8/30/02 | Leased equipment |
| Secretary of State, Ohio | De Lage Landen Financial Services, Inc. | OH00053819179 | 9/03/02 | Equipment |
| Secretary of State, Ohio | ICX Corporation | OH00056932273 | 11/20/02 | Leased equipment |
| Secretary of State, Ohio | Citicorp Del Lease, Inc. | OH00058302199 | 12/26/02 | Equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059308273 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059308384 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059308495 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059308617 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059308728 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059308839 | 1/22/03 | Leased equipment |

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| Secretary of State, Ohio | Comdisco, Inc. | OH00059308940 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059309063 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059309285 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059310319 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059312111 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059312333 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059312444 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059312555 | 1/22/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059331343 | 1/23/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059331565 | 1/23/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059331676 | 1/23/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059331787 | 1/23/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059331898 | 1/23/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059332022 | 1/23/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059332466 | 1/23/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059332688 | 1/23/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059332799 | 1/23/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059333145 | 1/23/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059694927 | 2/04/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059704728 | 2/04/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059704940 | 2/04/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059705174 | 2/04/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059705396 | 2/04/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059705518 | 2/04/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059705730 | 2/04/03 | Leased equipment |
| Secretary of State, Ohio | Comdisco, Inc. | OH00059705841 | 2/04/03 | Leased equipment |
| Secretary of State, Ohio | Sun Chemical Company | OH00059935676 | 2/10/03 | Consignment Inventory |

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| Secretary of State, Ohio | Toyota Motor Credit Company | OH00060401012 | 2/24/03 | Equipment |
| Secretary of State, Ohio | Sayers Finance Corporation | OH00060687309 | 3/5/03 | Leased equipment |
| Secretary of State, Ohio | Crompton Corporation | OH00060883274 | 3/10/03 | Consignment inventory |
| Secretary of State, Ohio | GFC Leasing | OH000614285564 | | Equipment |
| Secretary of State, Ohio | Ferro Corporation | OH00061565362 | 3/27/03 | Consignment inventory |
| Secretary of State, Ohio | Citicorp Del Lease, Inc. | OH00062065656 | 4/08/03 | Equipment |
| Secretary of State, Ohio | General Electric Capital Corporation | AP0014808 | 1/06/98 | Lease |
| Secretary of State, Ohio | Minnesota Mining & Mfg. 3M Receivables Management | AL44935 | 11/28/94 | Consignment inventory |
| Secretary of State, Ohio | Danka Financial Services | AP0073186 | 7/31/98 | Equipment |
| Secretary of State, Ohio | The CIT Group/ Equipment Financing, Inc. | AP0088569 | 9/29/98 | Equipment |
| Secretary of State, Ohio | The CIT Group/ Equipment Financing, Inc. | AP0098109 | 11/14/98 | Equipment |
| Secretary of State, Ohio | Inter-Tel Leasing Inc. | AP0156103 | 6/07/99 | Lease |
| Secretary of State, Ohio | NewCourt Communications Finance Corporation | AP0214066 | 2/15/00 | Lease |
| Secretary of State, Ohio | ICX Corporation | AP0259669 | 8/03/00 | Lease |
| Secretary of State, Ohio | ICX Corporation | AP314254 | 12/22/00 | Lease |
| Secretary of State, Ohio | CitiCorp | AL21925 | 8/15/94 | All Accounts |
| Secretary of State, Ohio | Yale Financial Services, Inc. | AN19409 | 11/19/96 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0072841 | 8/07/98 | Lease |
| Secretary of State, Ohio | CitiCorp | AP0077086 | 8/17/98 | All Accounts |
| Secretary of State, Ohio | KeyCorp Leasing | AP0077677 | 8/19/98 | Lease |
| Secretary of State, Ohio | AT&T Credit Corporation | AP0080076 | 9/02/98 | Lease |
| Secretary of State, Ohio | Safeco Credit Co. Inc. | AP0094262 | 10/21/98 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0100171 | 11/23/98 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0112853 | 1/04/99 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0145718 | 5/24/99 | Lease |

| | | | | |
|---------------------------|--|-------------|----------|------------------|
| Secretary of State, Ohio | IBM Credit Corporation | AP0153269 | 6/16/99 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0176263 | 9/09/99 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0180968 | 9/20/99 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0188619 | 10/22/99 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0191197 | 10/27/99 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0195162 | 11/12/99 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0196196 | 11/12/99 | Lease |
| Secretary of State, Ohio | NewCourt Communications Finance Corporation | AP0197242 | 12/01/99 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0197921 | 12/01/99 | Lease |
| Secretary of State, Ohio | Bank of America Illinois | AP0217222 | 2/29/00 | Lease |
| Secretary of State, Ohio | IBM Credit Corporation | AP0222347 | 3/20/00 | Lease |
| Secretary of State, Ohio | NewCourt Communications Finance Corporation | AP0260673 | 8/03/00 | Lease |
| Secretary of State, Ohio | NewCourt Communications Finance Corporation | AP280998 | 8/31/00 | Lease |
| Secretary of State, Texas | Arrowhead Industrial Water, Inc. | 94-051890 | 3/21/94 | Leased equipment |
| Secretary of State, Texas | Arrowhead Industrial Water, Inc. | 98-750113 | 12/10/98 | Leased equipment |
| Secretary of State, Texas | IBM Credit Corp. | 96-131342 | 7/3/96 | Leased equipment |
| Secretary of State, Texas | Caterpillar Financial Services Corp. | 97-005427 | 1/14/97 | Leased equipment |
| Secretary of State, Texas | Associates Leasing, Inc. | 97-141643 | 7/7/97 | Leased equipment |
| Secretary of State, Texas | AT&T Credit Corp. | 97-172691 | 8/20/97 | Leased equipment |
| Secretary of State, Texas | AT&T Credit Corp. | 97-246966 | 12/5/97 | Leased equipment |
| State Corp. Com., VA | Unisys Corp. | 920592 1457 | 5/18/92 | Leased equipment |
| State Corp. Com., VA | Unisys Corp. | 970213 7182 | 2/13/97 | Leased equipment |
| State Corp. Com., VA | Unisys Corp. | 980224 7149 | 2/24/98 | Leased equipment |

| | | | | |
|---------------------|---|------------|---------|------------------|
| Tennessee | General Electric Capital Corporation | 981-500049 | | Lease |
| Texas | PHH Vehicle Management Services Corporation/D.L. Peterson Trust | 98-137367 | | Lease |
| Vigo County Indiana | AT&T Credit Corp. | 193729 | 4/3/96 | Leased equipment |
| Vigo County Indiana | AT&T Credit Corp. | 194701 | 9/5/96 | Leased equipment |
| Wisconsin | CitiCorp | 01855397 | 6/17/99 | All Accounts |
| Wood County Ohio | Plast-O-Meric, Inc. | 97-954 | 6/9/97 | Leased equipment |

SCHEDULE 5.02(d)
ASSET SALES

The following are excluded from the limitations of Section 5.02(b) of the Agreement:

1. The assets of Borrower's Elastomers and Performance Additives business.
2. The assets of Borrower's Engineered Films business, including the capital stock interest of the Borrower in PolyOne Engineered Films, Inc.
3. The assets of Borrower's Specialty Resins business.

SCHEDULE 5.02(i)
EXISTING FOREIGN SUBSIDIARY DEBT

POLYONE CORPORATION - CONSOLIDATED
TOTAL DEBT OUTSTANDING

POLYONE USA CORPORATE

| | |
|---|-------------|
| SUBSIDIARY | |
| Tekno Polimer Group | 1,154,418 |
| CORPORATE | |
| Citibank revolver | 35,000,000 |
| | ----- |
| SHORT TERM BORROWING | 36,154,418 |
| SUBSIDIARY | |
| Polibasa | 7,558,250 |
| Bergmann | 367,470 |
| Star Color | 10,238 |
| Formulators Group - Acrol GB | (2) |
| Lincoln & Southern Railroad | 51,699 |
| PolyOne Canada | 1,022,798 |
| | ----- |
| SUBTOTAL SUBSIDIARY | 9,010,453 |
| CORPORATE | |
| Bank One debenture | 75,000,000 |
| Bank One debenture - derivative fair value adjustment | -- |
| Bank One debenture swap unamortized | 3,389,514 |
| | 78,389,514 |
| Bank One debenture | 50,000,000 |
| 9-3/8% senior note | 87,775,000 |
| 9-3/8% senior note - derivative fair value adjustment | -- |
| 9-3/8% senior note swap unamortized | 865,385 |
| debt discount at merger unamortized | 613,100 |
| | 89,253,485 |
| 8.875% senior note | 200,000,000 |
| 8.875% senior note discount unamortized | (1,626,890) |
| | 198,373,110 |
| medium term notes | 160,000,000 |
| Medium term notes - derivative fair value adjustment | -- |
| Medium term notes swap unamortized | 3,037,023 |
| Debt discount at merger unamortized | (7,320,053) |
| | 155,716,970 |
| Colombian loan | 11,257,288 |
| FX adjustment | (2,686,283) |
| | 8,571,005 |
| Capital lease obligations | 150,252 |
| Other | -- |
| | ----- |
| LONG TERM DEBT | 589,464,789 |
| | ----- |
| TOTAL DEBT | 625,619,207 |
| | ===== |

SCHEDULE 8.13
RELEASED COLLATERAL

INITIAL PLEDGED SHARES- Certificates delivered under Security Agreement dated January 25, 2002 of:

- PolyOne Distribution Company (Bruck Plastics Company)
- PolyOne Engineered, Films, Inc.
- Lincoln & Southern Railroad Company
- Burton Rubber Company
- Polymer Diagnostics, Inc.

RECEIVABLES AND RELATED CONTRACTS

ACCOUNT COLLATERAL

MORTGAGED PROPERTIES- Mortgages delivered as to the following properties will be released:

- Burton, OH
- Kennedale, TX
- DeForest, WI
- Wynne, AR
- Henry, IL
- Pedricktown, NJ
- Dyersburg, TN
- Jonesboro, TN
- Winchester, VA

EQUIPMENT- Equipment located at the following properties will be released:

- Burton, OH
- Kennedale, TX
- DeForest, WI
- Wynne, AR
- Henry, IL
- Pedricktown, NJ
- Dyersburg, TN
- Jonesboro, TN
- Winchester, VA

INTELLECTUAL PROPERTY-

PATENTS AND APPLICATIONS RELEASED FROM SECURITY INTEREST

| PAT. NO. | ISSUE DATE | SERIAL NO. | APPLICATION DATE | TITLE OF PATENT |
|-----------|------------|------------|------------------|--|
| 5,496,684 | 3/5/1996 | 08/122,400 | 9/17/1993 | PHOTOSENSITIVE COMPOSITIONS AND ELEMENTS FOR FLEXOGRAPHIC PRINTING |
| 5,496,685 | 3/5/1996 | 08/122,682 | 9/17/1993 | PHOTOSENSITIVE COMPOSITIONS AND ELEMENTS FOR FLEXOGRAPHIC PRINTING |
| 5,676,461 | 10/14/1997 | 08/617,361 | 3/18/1996 | OIL INJECTION APPARATUS AND METHOD FOR POLYMER PROCESSING |
| 5,851,731 | 12/22/1998 | 08/707,862 | 9/9/1996 | COMPOSITION FOR THE MANUFACTURE OF FLEXOGRAPHIC PRINTING PLATES |
| 5,865,535 | 2/2/1999 | 08/965,307 | 11/6/1997 | DYNAMIC MIXER CONTROL IN PLASTICS AND RUBBER PROCESSING |

| | | | | |
|-----------|------------|------------|------------|---|
| 5,974,167 | 10/26/1999 | 08/887,913 | 6/30/1997 | SYSTEM AND METHOD FOR MEASURING AND CONTROLLING THE QUALITY OF DISPERSION OF FILLER PARTICLES IN RUBBER COMPOUNDS |
| 6,017,679 | 1/25/2000 | 09/150,889 | 9/10/1998 | COMPOSITION FOR THE MANUFACTURE OF FLEXOGRAPHIC PRINTING PLATES |
| | | 09/975,534 | 10/11/2001 | MOLDING COMPOSITION FOR THE TRANSFER OF MICRO-STRUCTURED SURFACES. |
| | | 09/975,700 | 10/11/2001 | VACUUM FORMED THERMOPLASTIC FILMS AND ARTICLES THEREFROM |
| | | 10/100,830 | 3/18/2002 | PROCESS FOR PRODUCING A MULTI-COLORED COVERSTOCK |
| | | 60/431,308 | 12/6/2002 | LINER WITH DIFFERENT IMPRESSMENTS AT OPPOSING SURFACES |

MARKS RELEASED FROM SECURITY INTEREST

| MARK - - - - - | APPLN. DATE - - - - - | APPLN. NO. - - - - - | REG. NO. - - - - - | REG. DATE - - - - - |
|------------------------------|--------------------------|-------------------------|-----------------------|------------------------|
| ACCU-WAY | 21-Mar-90 | | 1673872 | 28-Jan-92 |
| ADAPHAX | 18-Jul-69 | | 894862 | 21-Jul-70 |
| ADVANCE | 22-Nov-95 | | 2015482 | 12-Nov-96 |
| AMBEREX | 10-Aug-62 | | 755774 | 3-Sep-63 |
| AUTOGUARD OEM | 22-Mar-00 | 76008362 | 2698214 | 18-Mar-03 |
| AUTOMASK | 22-Mar-00 | 76008361 | | |
| B and DESIGN | 10-Jul-72 | | 971697 | 30-Oct-73 |
| BUR-A-LOY | 2-Dec-81 | | 1242470 | 21-Jun-83 |
| CASTILLIAN | 18-Nov-99 | | 2390002 | 26-Sep-00 |
| CHASE IMAGE | 10-Sep-96 | | 2125186 | 30-Dec-97 |
| CHASE WAVE | 10-Sep-96 | | 2226542 | 23-Feb-99 |
| COLONIAL (Stylized) | 3-Nov-77 | | 1132000 | 1-Apr-80 |
| COPY DEFENDER | 4-Apr-00 | | 2519478 | 18-Dec-01 |
| CREATING THE RIGHT MIX | 4-Mar-96 | | 2052381 | 15-Apr-97 |
| CSW | 13-Jun-89 | | 1624843 | 27-Nov-90 |
| DESICAL | 11-Oct-66 | | 846885 | 2-Apr-68 |
| Design of Pilgrim's Head | 3-Nov-77 | | 1110723 | 9-Jan-79 |
| DLP | 29-Apr-02 | 76402342 | | |
| FACTICE (Stylized) | 18-Aug-34 | | 321475 | 5-Feb-35 |
| FACTICE (Stylized) | 28-Jan-55 | | 642757 | 19-Mar-57 |
| FLEXCLEAR | 1-Mar-90 | | 1622516 | 13-Nov-90 |
| GRID-PAK | 17-Oct-79 | | 1159976 | 7-Jul-81 |
| H2OKAY! | 22-Jan-88 | | 1569699 | 5-Dec-89 |
| HANNA IMAGE ANALYSIS | 20-Nov-97 | | 2303370 | 28-Dec-99 |
| HYDRO FLOW | 5-Aug-02 | 76437637 | | |
| LUBREX | 24-Jan-68 | | 861263 | 3-Dec-68 |
| MBZ | 11-Nov-74 | | 1015583 | 15-Jul-75 |
| MELOS | 28-Sep-00 | | 2492500 | 25-Sep-01 |
| MULTI-PURGE | 2-Nov-90 | | 1683548 | 21-Apr-92 |
| NEOPHAX | 9-Apr-56 | | 659638 | 25-Mar-58 |
| OSULLIVAN | 25-Mar-91 | | 1723596 | 13-Oct-92 |
| P.O.A. | 23-Mar-01 | 76229582 | | |
| POLYBOUND | 29-Sep-94 | | 2044293 | 11-Mar-97 |
| POLYMER DIAGNOSTICS & DESIGN | 16-Feb-98 | | 2313072 | 1-Feb-00 |
| POLYTRON | 14-Dec-92 | | 1866372 | 6-Dec-94 |
| PROFLEX | 27-Apr-01 | 76247357 | | |
| REGALITE | 28-Jul-97 | | 2220182 | 26-Jan-99 |
| REGALTECH | 20-Jul-89 | | 1622502 | 13-Nov-90 |
| ROLL-A-GLASS | 19-Jun-75 | | 1056068 | 11-Jan-77 |
| S' OFFICE | 14-Jun-89 | | 1595364 | 8-May-90 |
| STAN-MAG | 19-Mar-62 | | 748034 | 16-Apr-63 |
| STAN-TONE (Stylized) | 7-Dec-46 | | 511127 | 21-Jun-49 |
| ULTRALITE | 8-Feb-79 | | 1386714 | 18-Mar-86 |
| ULTRALITE | 15-Jun-98 | | 2323216 | 28-Feb-00 |
| ULTRASHIELD | 22-Sep-92 | | 1861385 | 1-Nov-94 |

| | | | |
|------------------------|-----------|----------|----------|
| ULTRASHIELD | 3-Jun-98 | 2363698 | 4-Jul-00 |
| ULTRASHIELD AND DESIGN | 23-Jan-98 | 2290539 | 2-Nov-99 |
| VELVET CRUSH | 23-Mar-01 | 76232851 | |

MARKS RELEASED FROM SECURITY INTEREST

| MARK ----- | APPLN. DATE ----- | APPLN. NO. ----- | REG. NO. ----- | REG. DATE ----- |
|---------------|----------------------|---------------------|-------------------|--------------------|
| VISIONS | 29-Dec-98 | | 2387091 | 19-Sep-00 |
| VVO | 4-Jan-94 | | 1978733 | 4-Jun-96 |
| WAVE | 10-Sep-96 | | 2226541 | 23-Feb-99 |

EXHIBIT A - FORM OF
PROMISSORY NOTE

U.S.\$ _____

Dated: _____, 200_

FOR VALUE RECEIVED, the undersigned, POLYONE CORPORATION, an Ohio corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender") for the account of its Applicable Lending Office on the Termination Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.\$[amount of the Lender's Revolving Credit Commitment in figures] or, if less, the aggregate principal amount of the Advances made by the Lender to the Borrower pursuant to the Amended and Restated Credit Agreement dated as of May 6, 2003 among the Borrower, the Lender and certain other lenders parties thereto, and Citicorp USA, Inc. as Agent for the Lender and such other lenders (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) outstanding on the Termination Date.

The Borrower promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest in respect of each Advance are payable in lawful money of the United States of America to the Agent at its account maintained at 388 Greenwich Street, New York, New York 10013, in same day funds. Each Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Advance being evidenced by this Promissory Note and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified. The obligations of the Borrower under this Promissory Note and the Credit Agreement are secured by collateral as provided therein.

POLYONE CORPORATION

By _____
Title:

ADVANCES AND PAYMENTS OF PRINCIPAL

| DATE | AMOUNT OF ADVANCE | AMOUNT OF PRINCIPAL PAID OR PREPAID | UNPAID PRINCIPAL BALANCE | NOTATION MADE BY |
|------|----------------------|---|-----------------------------|---------------------|
|------|----------------------|---|-----------------------------|---------------------|

EXHIBIT B - FORM OF NOTICE OF
BORROWING

Citicorp USA, Inc., as Agent
for the Lenders parties
to the Credit Agreement
referred to below
Two Penns Way
New Castle, Delaware 19720

[Date]

Attention: Bank Loan Syndications Department

Ladies and Gentlemen:

The undersigned, PolyOne Corporation, refers to the Amended and Restated Credit Agreement, dated as of May 6, 2003 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto and Citicorp USA, Inc., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is _____,
200_.

(ii) The Type of Advances comprising the Proposed Borrowing is [Base
Rate Advances] [Eurodollar Rate Advances].

(iii) The aggregate amount of the Proposed Borrowing is
\$_____].

[(iv) The initial Interest Period for each Eurodollar Rate Advance
made as part of the Proposed Borrowing is _____ month[s].]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties contained in the Loan Documents are correct, before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(B) no event has occurred and is continuing, or would result from such Proposed Borrowing or from the application of the proceeds therefrom, that constitutes a Default; and

(C) the Indenture Limit exceeds the aggregate principal amount of the Advances plus the aggregate Available Amount of all Letters of Credit to be outstanding after giving effect to such Proposed Borrowing, as evidenced by the calculations set forth on Annex I hereto.

Very truly yours,

POLYONE CORPORATION

By _____
Title:

ANNEX I

| INDENTURE ----- | AMOUNT | % | GEON INDENTURE ----- | HANNA 9 3/8 INDENTURE ----- | 2002 POLYONE HANNA MTNS ----- | 2003 POLYONE INDENTURE ----- |
|---|--------|-----|-------------------------|--------------------------------|--|---------------------------------------|
| Consolidated Tangible Assets | | 5% | | | | |
| Consolidated Net Tangible Assets | | 10% | | | | |
| Consolidated Shareholders Equity | | 10% | | | | |
| Consolidated Net Tangible Assets | | 10% | _____ | _____ | _____ | _____ |
| MAXIMUM LIMIT X .95 | | | | | | |
| Less - Secured Debt (other than under Revolving Credit Agreement) | | | | | | |
| Availability under Basket - subtotal | | | _____ | _____ | _____ | _____ |
| Exceptions: | | | | | | |
| Availability under Basket | | | _____ | _____ | _____ | _____ |
| Advances plus Available Amount of Letters of Credit to be outstanding after giving effect to Proposed Borrowing | | | | | | |
| | | | | | | _____ |

EXHIBIT C
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Amended and Restated Credit Agreement dated as of May 6, 2003 (as amended or modified from time to time, the "Credit Agreement") among PolyOne Corporation, an Ohio corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement) and Citicorp USA, Inc., as agent for the Lenders (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule 1 hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement together with participations in Letters of Credit held by the Assignor on the date hereof. After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Advances owing to the Assignee will be as set forth on Schedule 1 hereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches the Note[, if any,] held by the Assignor [and requests that the Agent exchange such Note for a new Note payable to the order of [the Assignee in an amount equal to the Revolving Credit Commitment assumed by the Assignee pursuant hereto or new Notes payable to the order of the Assignee in an amount equal to the Revolving Credit Commitment assumed by the Assignee pursuant hereto and] the Assignor in an amount equal to the Revolving Credit Commitment retained by the Assignor under the Credit Agreement[, respectively,] as specified on Schedule 1 hereto].

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service forms required under Section 2.14 of the Credit Agreement.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Notes in respect of the interest assigned hereby

(including, without limitation, all payments of principal, interest and fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Notes for periods prior to the Effective Date directly between themselves.

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

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

Schedule 1
to
Assignment and Acceptance

Percentage interest assigned: _____%

Assignee's Revolving Credit Commitment: \$ _____

Aggregate outstanding principal amount of Advances assigned: \$ _____

Principal amount of Note payable to Assignee: \$ _____

Principal amount of Note payable to Assignor: \$ _____

Effective Date*: _____, 200_

[NAME OF ASSIGNOR], as Assignor

By _____
Title:

Dated: _____, 200_

[NAME OF ASSIGNEE], as Assignee

By _____
Title:

Dated: _____, 200_

Domestic Lending Office:
[Address]

Eurodollar Lending Office:
[Address]

- - - - -
* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to the Agent.

Accepted and Approved this _____ day of _____, 200_

CITICORP USA, INC., as Agent

By _____
Title:

Approved this _____ day
of _____, 200_

POLYONE CORPORATION

By _____
Title:

EXHIBIT F-1- FORM OF
OPINION OF COUNSEL
FOR THE BORROWER

[Effective Date]

May 6, 2003

To each of the Lenders parties
to the Amended and Restated Credit Agreement
dated as of May 6, 2003
among PolyOne Corporation,
said Lenders and Citicorp USA, Inc.,
as Agent for said Lenders

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 3.01(h)(iv) of the Amended and Restated Credit Agreement, dated as of May 6, 2003 (the "Credit Agreement"), among PolyOne Corporation (the "Borrower"), the Lenders parties thereto and Citicorp USA, Inc., as Agent for said Lenders. Terms defined in such Credit Agreement are used herein as therein defined.

We have acted as counsel for the Borrower in connection with the preparation, execution and delivery of the Credit Agreement.

In that connection, we have examined:

1. The Credit Agreement.
2. The documents furnished by the Borrower pursuant to Article III of the Credit Agreement, including the Security Agreement.
3. The Articles of Incorporation of the Borrower and all amendments thereto (the "Charter").
4. The Regulations of the Borrower and all amendments thereto (the "By-laws").
5. A certificate of the Secretary of State of Ohio, dated April 21, 2003, attesting to the continued corporate existence and good standing of the Borrower in that State.

In addition, we have examined the originals, or copies certified to our satisfaction, of such other corporate records of the Borrower, certificates of public officials and of officers for the Borrower, and agreements, instruments and other documents as we have deemed necessary as a basis for the opinions expressed below. We

have assumed the due execution and delivery, pursuant to due authorization, of the Credit Agreement by the Initial Lenders and the Agent.

Our opinions expressed below are limited to the law of the State of Ohio and the Federal law of the United States.

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the following opinion:

1. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio.
2. The execution, delivery and performance by the Borrower of the Credit Agreement and the Notes, and the consummation of the transactions contemplated thereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Charter or the By-laws, or (ii) any law, rule or regulation applicable to the Borrower (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or (iii) any contractual or legal restriction applicable to the Borrower. The Credit Agreement and the Notes have been duly executed and delivered on behalf of the Borrower.
3. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Borrower of the Credit Agreement and the Notes.
4. To the best of our knowledge, there are no pending or overtly threatened actions or proceedings against the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that purport to affect the legality, validity, binding effect or enforceability of the Credit Agreement or the consummation of the transactions contemplated thereby or that, except as described in Schedule 3.01(b) to the Credit Agreement, are likely to have a materially adverse effect upon the financial condition or operations of the Borrower or any of its Subsidiaries.
5. In any action or proceeding arising out of or relating to the Credit Agreement in any court of the State of Ohio or in any Federal court sitting in the State of Ohio, such court would recognize and give effect to the provisions of Section 8.09 of the Credit Agreement wherein the parties thereto agree that the Credit Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Without limiting the generality of the foregoing, a court of the State of Ohio or a federal court sitting in the State of Ohio would apply the usury law of the State of New York, and would not apply the usury law of the State of Ohio, to the Credit Agreement and the Notes. However, if a court of the State of Ohio or a Federal court sitting in the State of Ohio were to hold that the Credit Agreement and the Notes are governed by, and to be construed in accordance with, the laws of the State of Ohio, the Credit Agreement and the Notes would be, under the laws of the State of Ohio, the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with their respective terms.
6. The Security Agreement creates in favor of the Collateral Trustees for the benefit of the Secured Parties, as security for the payment of the Secured Obligations as defined therein, a security interest in the Collateral described therein in which a security interest may be created under Article 9 of the UCC as enacted in the State of Ohio. Perfection of

the security interest in the Collateral, other than the Patents and Trademarks, shall occur upon the recordation of UCC-1 financing statements pursuant to Article 9 of the UCC as enacted in the State of Ohio.

The opinions set forth above are subject to the following qualifications:

(a) Our opinion in the last sentence of paragraph 5 above as to enforceability is subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting creditors' rights generally.

(b) Our opinion in the last sentence of paragraph 5 above as to enforceability is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law).

(c) We express no opinion as to (i) Section 2.14 of the Credit Agreement insofar as it provides that any Lender purchasing a participation from another Lender pursuant thereto may exercise set-off or other similar rights with respect to such participation and (ii) the effect of the law of any jurisdiction other than the State of Ohio wherein any Lender may be located or wherein enforcement of the Credit Agreement or the Notes may be sought that limits the rates of interest legally chargeable or collectible.

Very truly yours, .

ESCROW AGREEMENT
BETWEEN
POLYONE CORPORATION
AND
CITIBANK, N.A.
DATED AS OF MAY __, 2003

ESCROW AGREEMENT

ESCROW AGREEMENT made this day of May, 2003 (the "Agreement") by and between CITIBANK, N.A., a national banking institution incorporated under the laws of the United States of America (the "Escrow Agent"), and POLYONE CORPORATION, an Ohio corporation (the "Depositor").

WHEREAS, this Agreement is being entered into in connection with the Purchase Agreement, dated April 30, 2003, among the Depositor and the Initial Purchasers (as defined below), pursuant to which, among other things, the Depositor is issuing and selling to Citigroup Global Markets Inc., McDonald Investments Inc., NatCity Investments, Inc. and SBK Investment Corp., on the date hereof, \$300,000,000 aggregate principal amount of the Depositor's 10 5/8% Senior Notes due 2010 (the "Senior Notes");

WHEREAS, the Depositor intends to use a portion of the proceeds from the offering of the Senior Notes to repay, from time to time, all of the Depositor's outstanding 9.375% Senior Notes due 2003 (the "September Notes"), which mature on September 15, 2003; and

WHEREAS, the Depositor and Escrow Agent have entered into this Agreement in order to set forth the conditions upon which, and the manner in which, funds will be disbursed from the Escrow Account (as defined below) so that the Depositor may use such funds to repay the September Notes.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, the Depositor appoints Citibank, N.A. as the escrow agent for the Escrow Property (as defined below) and directs Citibank, N.A. as the escrow agent to maintain the Escrow Account upon the terms and conditions set forth in this Agreement. Citibank, N.A. hereby accepts such appointment as the escrow agent for the Escrow Property and agrees to maintain the Escrow Account and to act as the escrow agent for the Escrow Property, in each case in accordance with and subject to the following Instructions and Terms and Conditions:

I. INSTRUCTIONS:

1. ESCROW PROPERTY

The property and/or funds deposited or to be deposited with Escrow Agent by the Depositor shall be as follows:

Cash in the amount of \$87,775,000.

The foregoing property and/or funds, plus all interest, dividends and other distributions and payments thereon (collectively the "Distributions") received by Escrow Agent, less any property and/or funds distributed or paid in accordance with this Agreement, are collectively referred to herein as "Escrow Property".

Escrow Agent shall establish an escrow account (the "Escrow Account") and shall maintain the Escrow Property in the Escrow Account.

2. INVESTMENT OF ESCROW PROPERTY

Escrow Agent shall invest or reinvest Escrow Property, without distinction between principal and income, in accordance with written instructions delivered to Escrow Agent specifying any one or more of the following investments from the Depositor designated herein. Initially, until otherwise directed in writing the Escrow Property shall be invested in [provide money market fund].

(1) Any U.S. Government or U.S. Government security;

(2) Any commercial paper rated A1/P1 or better having the best yield or price available at the time the trade is executed. Be advised that due to the potential conflict of interest, Escrow Agent will not purchase Citigroup or any affiliate commercial paper (collectively "Citigroup Paper") unless the Depositor specifically authorizes Escrow Agent, in writing, that it is authorized to purchase Citigroup Paper. Authorization for the purchase of Citigroup Paper must be given by the Depositor(s) on a transaction by transaction basis;

(3) Money market funds having a rating in the highest investment category granted thereby by a recognized credit rating agency at the time of acquisition, including any fund for which Escrow Agent or an Affiliate of Escrow Agent serves as an investment advisor, administrator, shareholder servicing agent, custodian or sub-custodian, notwithstanding that (A) Escrow Agent or an Affiliate of Escrow Agent charges and collects fees and expenses from such funds for services rendered (provided that such charges, fees and expenses are on terms consistent with terms negotiated at arm's length) and (B) Escrow Agent charges and collects fees and expenses for services rendered, pursuant to this Agreement.

Escrow Agent shall have no obligation to invest or reinvest the Escrow Property if all or a portion of the Escrow Property is deposited with Escrow Agent after 11:00 a.m. (E.S.T.) on the day of deposit. Instructions to invest or reinvest that

are received after 11:00 a.m. (E.S.T.) will be treated as if received on the following business day in New York.

Escrow Agent shall have the power to sell or liquidate the foregoing investments whenever Escrow Agent shall be required to release the Escrow Property pursuant to the terms hereof. Escrow Agent shall have no responsibility for any investment losses resulting from the investment, reinvestment or liquidation of the Escrow Property. Any interest or other income received on such investment and reinvestment of the Escrow Property shall become part of the Escrow Property.

If a selection is not made, the Escrow Property shall remain uninvested with no liability for interest therein. It is agreed and understood that Escrow Agent may earn fees associated with the investments outlined above.

Any investment direction contained herein may be executed through an affiliated broker dealer of Escrow Agent and shall be entitled to such usual and customary fee. Neither Citigroup nor any of its affiliates assume any duty or liability for monitoring the investment rating.

Escrow Agent shall have no liability for any loss arising from or related to any such investment other than in accordance with paragraph 5 of the Terms and Conditions.

3. WRITTEN INSTRUCTION

All instructions, approvals or certificates required under this Agreement will be delivered to Escrow Agent in writing, in either original or facsimile form, executed by an officer of the Depositor authorized to give such instructions, approvals or certificates under this Agreement (an "Authorized Person"). The identity of the Authorized Persons, as well as their specimen signatures, will be delivered to Escrow Agent in the form of an Incumbency Certificate in the form of Exhibit A attached hereto and will remain in effect until the Depositor notifies Escrow Agent of any change. In its capacity as Escrow Agent, Escrow Agent will accept all instructions and documents complying with the above under the indemnities provided in this Agreement, and reserves the right to refuse to accept any instructions or documents which fail, or appear to fail, to comply. Further to this procedure, Escrow Agent reserves the right to telephone an Authorized Person to confirm the details of such instructions or documents if they are not already on file with us as standing instructions. Escrow Agent and the Depositor agree that the above constitutes a commercially reasonable security procedure.

4. DISTRIBUTION OF ESCROW PROPERTY

Escrow Agent is directed to hold and distribute the Escrow Property in the following manner:

Escrow Agent shall release all or any portion of the Escrow Property to the Depositor as soon as practicable upon receipt by Escrow Agent of an Officer's Certificate of the Depositor signed by an Authorized Person substantially in the form of Exhibit B attached hereto (an "Officer's Certificate"). If the Depositor requests that less than all of the Escrow Property be released, than the Officer's Certificate relating to such request shall indicate the amount of the Escrow Property to be released.

In the event that all or any portion of the Escrow Property has not been released to the Depositor in accordance with the preceding paragraph by 5:00 p.m. (New York City time) on September 15, 2003, Escrow Agent shall, as soon as practicable, release any and all remaining Escrow Property to the Depositor.

Any release of the Escrow Property to the Depositor shall be made pursuant to the bank wiring instructions provided in paragraph 5 of Part I below unless otherwise instructed in writing by an Authorized Person.

5. ADDRESSES AND ACCOUNT INFORMATION

Notices, instructions and other communications shall be sent to Escrow Agent, Citibank Agency & Trust, 111 Wall Street, 14th Floor, New York, New York 10005, (telephone number: (212) 657-0955, facsimile number: (212) 657-2762 and to the Depositor as follows:

PolyOne Corporation
200 Public Square, 36th Floor
Cleveland, Ohio 44114-2304
Attn: John L. Rastetter, Treasurer
Phone: (216) 589-4291
Facsimile: (216) 589-4280

with a copy to:

PolyOne Corporation
PolyOne Center
33587 Walker Road
Avon Lake, Ohio 44012

Attn: Wendy C. Shiba, Chief Legal Officer
Phone: (440) 930-1359
Facsimile: (440) 930-1002

Bank Wiring Instructions:

6. COMPENSATION

- (a) At the time of execution of this Agreement, the Depositor shall pay Escrow Agent a fee of \$15,000.00. The Depositor agrees to reimburse Escrow Agent for all reasonable expenses, disbursements and advances incurred or made by Escrow Agent in performance of its duties hereunder (including reasonable fees, expenses and disbursements of its counsel). In addition, the Depositor shall pay Escrow Agent a fee of \$2,500.00 for each amendment to this Agreement. It is understood that Escrow Agent's fees may be adjusted from time to time to conform to its then current guidelines.
- (b) The Depositor shall be responsible for and shall reimburse Escrow Agent upon demand for all fees, expenses and disbursements incurred or made by Escrow Agent in connection with this Agreement.

II. TERMS AND CONDITIONS

1. Escrow Property shall be held by Escrow Agent either directly or through the Federal Reserve/Treasury Book-Entry System for United States and federal agency securities (the "Book-Entry System"), The Depository Trust Company, a clearing agency registered with the Securities and Exchange Commission ("DTC"), or through any other clearing agency or similar depository (a "Clearing Agency"). Escrow Agent shall have no responsibility and shall not be liable for ascertaining or acting upon any calls, conversions, exchange offers, tenders, interest rates changes, or similar matters relating to securities held at DTC or with any Clearing Agency unless Escrow Agent shall have received actual and timely notice of the same, nor shall Escrow Agent have any responsibility or liability for the actions or omissions to act of the Book-Entry System, DTC or any Clearing Agency.
2. The duties, responsibilities and obligations of Escrow Agent shall be limited to those expressly set forth herein and no duties, responsibilities or obligations shall be inferred or implied. Escrow Agent shall not be subject to, nor required to comply with, any other agreement to which the Depositor is a party, even though reference thereto may be made herein, or to comply with any direction or instruction (other than those contained herein or delivered in accordance with this Agreement) from the Depositor or an entity acting on its behalf. Escrow Agent shall not be required to expend or risk any of its own funds or otherwise incur any financial or other liability in the performance of any of its duties hereunder.
3. This Agreement is for the exclusive benefit of the parties hereto and their respective permitted successors hereunder, and shall not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other entity or person whatsoever except as provided in paragraph 14 hereof with respect to the resignation of Escrow Agent
4. If at any time Escrow Agent is served with any judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process which in any way affects the Escrow Property (including but not limited to orders of attachment or garnishment or other forms of levies or injunctions or stays relating to the transfer of the Escrow Property), Escrow Agent is authorized to comply therewith in any manner it or legal counsel of its own choosing deems appropriate; and if Escrow Agent complies with any such judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process, Escrow Agent shall not be liable to any of the parties hereto or to any other person or entity even though such order, judgment, decree, writ or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

5. (a) Escrow Agent shall not be liable for any action taken or omitted or for any loss or injury resulting from its actions or its performance or lack of performance of its duties hereunder in the absence of gross negligence or willful misconduct on its part. In no event shall Escrow Agent be liable (i) for acting in accordance with or relying upon any instruction, notice, demand, certificate or document from the Depositor or any entity acting on behalf of the Depositor, (ii) for any indirect, consequential, punitive or special damages, regardless of the form of action and whether or not any such damages were foreseeable or contemplated, (iii) for the acts or omissions of its nominees, correspondents, designees, agents, subagents or subcustodians, (iv) for the investment or reinvestment of any cash held by it hereunder, in each case in good faith, in accordance with the terms hereof, including without limitation any liability for any delays (not resulting from its gross negligence or willful misconduct) in the investment or reinvestment of the Escrow Property, or any loss of interest incident to any such delays, or (v) for an amount in excess of the value of the Escrow Property, valued as of the date of deposit, but only to the extent of direct money damages.

(b) If any fees, expenses or costs incurred by, or any obligations owed to, Escrow Agent or its counsel hereunder are not promptly paid when due, Escrow Agent may reimburse itself therefore from the Escrow Property and may sell, convey or otherwise dispose of any Escrow Property for such purpose. Escrow Agent may in its sole discretion withhold from any distribution of Escrow Property an amount of Escrow Property it believes would, upon sale or liquidation, produce proceeds equal to any unpaid amounts to which Escrow Agent is entitled to hereunder.

(c) As security for the due and punctual performance of any and all of the Depositor's obligations to Escrow Agent hereunder, now or hereafter arising, the Depositor hereby pledges, assigns and grants to Escrow Agent a continuing security interest in, and a lien on, the Escrow Property and all Distributions thereon or additions thereto (whether such additions are the result of deposits by the Depositor or the investment of Escrow Property). The security interest of Escrow Agent shall at all times be valid, perfected and enforceable by Escrow Agent against the Depositor and all third parties in accordance with the terms of this Agreement.

(d) Escrow Agent may reasonably consult with legal counsel of its own choosing at the expense of the Depositor as to any matter relating to this Agreement, and Escrow Agent shall not incur any liability in acting in good faith in accordance with any advice from such counsel.

(e) Escrow Agent shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of Escrow Agent (including but not limited to any act or provision

of any present or future law or regulation or governmental authority, any act of God or war, or the unavailability of the Federal Reserve Bank wire or facsimile or other wire or communication facility).

(f) Escrow Agent shall be entitled to rely upon any order, judgment, certification, demand, notice, instrument or other writing delivered to it hereunder without being required to determine the authenticity or the correctness of any fact stated therein or the propriety or validity or the service thereof. Escrow Agent may act in reliance upon any instrument or signature believed by it to be genuine and may assume that any person purporting to give receipt or advice to make any statement or execute any document in connection with the provisions hereof has been duly authorized to do so.

6. Unless otherwise specifically set forth herein, Escrow Agent shall proceed as soon as practicable to collect any checks or other collection items at any time deposited hereunder. Should Escrow Agent in its sole discretion or otherwise credit Distributions before the same are finally collected, such credits shall be provisional and may be reversed by Escrow Agent without notice until such time as the same shall be finally collected. All such collections shall be subject to Escrow Agent's usual collections practices or terms regarding items received by Escrow Agent for deposit or collection. Escrow Agent shall not be required, or have any duty, to notify anyone of any payment or maturity under the terms of any instrument deposited hereunder, nor to take any legal action to enforce payment of any check, note or security deposited hereunder or to exercise any right or privilege which may be afforded to the holder of any such security.
7. Escrow Agent shall provide to the Depositor monthly statements identifying transactions, transfers or holdings of Escrow Property, and each such statement shall be deemed to be correct and final upon receipt thereof by the Depositor unless the Depositor notifies Escrow Agent in writing to the contrary within thirty (30) business days of the date of such statement.
8. Escrow Agent shall not be responsible in any respect for the form, execution, validity, value or genuineness of documents or securities deposited hereunder, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document, security or endorsement. Escrow Agent shall not be called upon to advise any party as to the wisdom in selling or retaining or taking or refraining from any action with respect to any securities or other property deposited hereunder.
9. Escrow Agent shall not be under any duty to give the Escrowed Property held by it hereunder any greater degree of care than it gives its own similar property and shall

not be required to invest any funds held hereunder except as directed in this Agreement. Uninvested funds held hereunder shall not earn or accrue interest.

10. When Escrow Agent is instructed in writing to deliver securities against payment, or to effect payment against delivery, delivery and receipt of payment may not be completed simultaneously, and the Depositor agrees that Escrow Agent shall incur no liability for any credit risk involved, and that Escrow Agent may deliver and receive securities, and arrange for payments to be made and received, in accordance with customs prevailing from time to time among brokers or dealers in such securities.
11. At any time, Escrow Agent may request an instruction in writing in English from the Depositor and may, at its own option, include in such request the course of action it proposes to take and the date on which it proposes to act, regarding any matter arising in connection with its duties and obligations hereunder. Escrow Agent shall not be liable for acting in accordance with such a proposal on or after the date specified therein, provided that the specified date shall be at least one business day after the Depositor receives Escrow Agent's request for instructions and its proposed course of action, and provided further that, prior to so acting, Escrow Agent has not received the written instructions requested.
12. Notices, instructions or other communications shall be in writing in English and shall be given to the address set forth in the "Addresses" provision herein (or to such other address as may be substituted therefore by written notification to Escrow Agent or the Depositor). Notices to Escrow Agent shall be deemed to have been given when actually received by Escrow Administration (Global Agency Trust). Escrow Agent is authorized to comply with and rely upon any notices, instructions or other communications believed by it to have been sent or given by the Depositor or by a person or persons authorized by the Depositor. Whenever under the terms hereof the time for giving a notice or performing an act falls upon a Saturday, Sunday, or a banking holiday in New York, such time shall be extended to the next day on which Escrow Agent is open for business.
13. The Depositor shall be liable for and shall reimburse and indemnify Escrow Agent (and any predecessor Escrow Agent) and hold Escrow Agent harmless from and against any and all claims, losses, actions, liabilities, costs, damages or expenses (including reasonable attorneys' fees and expenses) (collectively "Losses") arising from or in connection with its administration of this Agreement, provided, however, that nothing contained herein shall require Escrow Agent to be indemnified for Losses caused by its own gross negligence or own willful misconduct for which Escrow Agent has assumed liability pursuant to preceding subparagraph (a) of paragraph 5 hereof. In addition, when Escrow Agent acts on any information, instructions, communications, (including, but not limited to, communications with respect to the

delivery of securities or the wire transfer of funds) sent by telephone, telex or facsimile, Escrow Agent, absent gross negligence, shall not be responsible or liable in the event such communication is not an authorized or authentic communication of the Depositor or is not in the form the Depositor sent or intended to send (whether due to fraud, distortion or otherwise). The Depositor shall indemnify Escrow Agent against any loss, liability, claim or expense (including reasonable legal fees and expenses) it may incur with its acting in accordance with any such communication. This paragraph shall survive the termination of this Agreement or the removal of Escrow Agent.

14. (a) The Depositor may remove Escrow Agent at any time by giving to Escrow Agent thirty (30) calendar days' prior notice in writing signed by the Depositor. Escrow Agent may resign at any time by giving the Depositor thirty (30) calendar days' prior written notice thereof.

(b) Within ten (10) calendar days after giving the foregoing notice of removal to Escrow Agent or receiving the foregoing notice of resignation from Escrow Agent, the Depositor shall appoint a successor Escrow Agent. If a successor Escrow Agent has not accepted such appointment by the end of such 10-day period, Escrow Agent may, in its sole discretion, deliver the Escrow Property to PolyOne Corporation at the address provided herein or may apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent or for other appropriate relief. The costs and expenses (including reasonable attorneys' fees and expenses) incurred by Escrow Agent in connection with such proceeding shall be paid by the Depositor. In the event of any such resignation or removal, Escrow Agent shall have no further obligation with respect to Escrow Property.

(c) Upon receipt of the identity of the successor Escrow Agent, Escrow Agent shall either deliver the Escrow Property then held hereunder to the successor Escrow Agent, less Escrow Agent's fees, costs and expenses or other obligations owed to Escrow Agent, or hold such Escrow Property (or any portion thereof), pending distribution, until all such fees, costs and conclusively expenses or other obligations are paid.

(d) Upon delivery of the Escrow Property to the success or Escrow Agent, Escrow Agent shall have no further duties, responsibilities or obligations hereunder.

15. (a) In the event of any ambiguity or uncertainty hereunder or in any notice, instruction or other communication received by Escrow Agent hereunder, Escrow Agent may, in its sole discretion, refrain from taking any action other than retain possession of the Escrow Property, unless Escrow Agent receives written instructions, signed by the Depositor, which eliminates such ambiguity or uncertainty.

(b) In the event of any dispute between or conflicting claims among the Depositor and/or any other person or entity with respect to any Escrow Property, Escrow Agent shall be entitled, in its sole discretion, to refuse to comply with any and all claims, demands or instructions with respect to such Escrow Property so long as such dispute or conflict shall continue, and Escrow Agent shall not be or become liable in any way to the Depositor for failure or refusal to comply with such conflicting claims, demands or instructions. Escrow Agent shall be entitled to refuse to act until, in its sole discretion, either (i) such conflicting or adverse claims or demands shall have been determined by a final order, judgment or decree of a court of competent jurisdiction, which order, judgment or decree is not subject to appeal, or settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent or (ii) Escrow Agent shall have received security or an indemnity satisfactory to it sufficient to hold it harmless from and against any and all Losses which it may incur by reason of so acting. Any court order, judgment or decree shall be accompanied by a legal opinion by counsel for the presenting party, satisfactory to Escrow Agent, to the effect that said order, judgment or decree represents a final adjudication of the rights of the parties by a court of competent jurisdiction, and that the time for appeal from such order, judgment or decree has expired without an appeal having been perfected. Escrow Agent shall act on such court order and legal opinions without further question. Escrow Agent may, in addition, elect, in its sole discretion, to commence an interpleader action or seek other judicial relief or orders as it may deem, in its sole discretion, necessary. The costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with such proceeding shall be paid by the Depositor.

(c) Escrow Agent shall have no responsibility for the contents of any writing of the arbitrators or any third party contemplated herein as a means to resolve disputes and may conclusively rely without any liability upon the contents thereof.

16. This Agreement shall be interpreted, construed, enforced and administered in accordance with the internal substantive laws (and not the choice of law rules) of the State of New York. The Depositor hereby submits to the personal jurisdiction of, and agrees that all proceedings relating hereto shall be brought in, courts located within the City and State of New York. The Depositor hereby waives the right to trial by jury and to assert counterclaims in any such proceedings. To the extent that in any jurisdiction the Depositor may be entitled to claim, for itself or its assets, immunity from suit, execution, attachment (whether before or after judgment) or other legal process, each hereby irrevocably agrees not to claim, and hereby waives, such immunity. The Depositor waives personal service of process and consents to service of process by certified or registered mail, return receipt requested, directed to it at the address last specified for notices hereunder, and such service shall be deemed completed ten (10) calendar days after the same is so mailed. Any court order shall be accompanied by a legal opinion by counsel for the presenting party satisfactory to Escrow Agent to the

effect that said opinion is final and non-appealable. Escrow Agent shall act on such court order and legal opinions without further question.

17. Escrow Agent does not have any interest in the Escrowed Property deposited hereunder but is serving as escrow holder only and having only possession thereof. The Depositor shall pay or reimburse Escrow Agent upon request for any transfer taxes or other taxes relating to the Escrowed Property incurred in connection herewith and shall indemnify and hold harmless Escrow Agent from any amounts that it is obligated to pay in the way of such taxes. Any payments of income from this Escrow Account shall be subject to withholding regulations then in force with respect to United States taxes. The Depositor will provide Escrow Agent with appropriate W-9 forms for tax I.D., number certifications, or W-8 forms for non-resident alien certifications. This paragraph shall survive notwithstanding any termination of this Agreement or the resignation or removal of Escrow Agent.
18. Except as otherwise permitted herein, this Agreement may be modified only by a written amendment signed by all the parties hereto, and no waiver of any provision hereof shall be effective unless expressed in a writing signed by the party to be charged.
19. The rights and remedies conferred upon the parties hereto shall be cumulative, and the exercise or waiver of any such right or remedy shall not preclude or inhibit the exercise of any additional rights or remedies. The waiver of any right or remedy hereunder shall not preclude the subsequent exercise of such right or remedy.
20. The Depositor hereby represents and warrants (a) that this Agreement has been duly authorized, executed and delivered on its behalf and constitutes its legal, valid and binding obligation and (b) that the execution, delivery and performance of this Agreement by the Depositor does not and will not violate any applicable law or regulation.
21. Escrow Agent hereby represents and warrants (a) that this Agreement has been duly authorized, executed and delivered on its behalf and constitutes its legal, valid and binding obligation and (b) that the execution, delivery and performance of this Agreement by Escrow Agent does not and will not violate any applicable law or regulation.
22. The invalidity, illegality or unenforceability of any provision of this Agreement shall in no way effect the validity, legality or enforceability of any other provision; and if any provision is held to be enforceable as a matter of law, the other provisions shall not be affected thereby and shall remain in full force and effect.

23. This Agreement shall constitute the entire agreement of the parties with respect to the subject matter and supersedes all prior oral or written agreements in regard thereto.
24. This Agreement shall terminate upon the distribution of all Escrow Property from the account established hereunder. The provisions of these Terms and Conditions shall survive termination of this Agreement and/or the resignation or removal of Escrow Agent.
25. No printed or other material in any language, including prospectuses, notices, reports, and promotional material which mentions "Citibank, N.A." by name or the rights, powers, or duties of Escrow Agent under this Agreement shall be issued by any other parties hereto, or on such party's behalf, without the prior written consent of Escrow Agent.
26. The headings contained in this Agreement are for convenience of reference only and shall have no effect on the interpretation or operation hereof.
27. This Agreement may be executed by each of the parties hereto in any number of counterparts, each of which counterpart, when so executed and delivered, shall be deemed to be an original and all such counterparts shall together constitute one and the same agreement.
28. No party may assign any of its rights or obligations under this Agreement without the written consent of the other parties.
29. Any corporation into which Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which Escrow Agent shall be a party, or any corporation succeeding to the business of Escrow Agent shall be the successor of Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

IN WITNESS WHEREOF, each of the parties have caused this Agreement to be executed by a duly authorized officer as of the day and year first written above.

POLYONE CORPORATION

By: _____
Name:
Title:

CITIBANK, N.A.,
AS ESCROW AGENT

By: _____
Name:
Title:

FORM OF INCUMBENCY CERTIFICATE

The undersigned hereby certifies that she/he is the [INSERT TITLE] of PolyOne Corporation, an Ohio corporation (the "Company"), and as such she/he is authorized to execute this Certificate and further certifies that the following persons have been elected or appointed, are qualified, and are now acting as officers of the Company in the capacity or capacities indicated below, and that the signatures set forth opposite their respective names are their true and genuine signatures. She/he further certifies that any of the persons listed below [is/are] authorized [please choose one] [individually or jointly] to sign agreements and give written instructions with regard to any matters pertaining to the Escrow Agreement, dated as of May __, 2003, and the appointment of Citibank, N.A., as escrow agent:

| Name | Title | Phone | Signature |
|-----------|-----------|-----------|-----------|
| - - - - - | - - - - - | - - - - - | - - - - - |

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of the Company this __ day of _____, 2003.

[SIGNED BY SOMEONE WHOSE NAME IS NOT INCLUDED IN THE ABOVE LIST]

By: _____
Name:
Title:

OFFICER'S CERTIFICATE OF POLYONE CORPORATION

This certificate is being delivered pursuant to paragraph 4 of part I of the Escrow Agreement, dated as of May __, 2003 (the "Escrow Agreement"), between PolyOne Corporation (the "Company"), and Citibank, N.A., as escrow agent (the "Escrow Agent"). Capitalized terms used herein but not defined herein shall have the meanings given to such terms in the Escrow Agreement.

1. The Company hereby requests through the undersigned Authorized Person that [\$_____ of the Escrow Property / all of the Escrow Property] be released to the Company.

2. The Company hereby certifies through the undersigned Authorized Person that:

(a) the Company will use all or a portion of the Escrow Property released pursuant to this Certificate to repay, redeem, purchase, defease or otherwise satisfy its obligations under any of its outstanding 9.375% Senior Notes due 2003 (the "Senior Notes"); and

(b) the Company will use all or a portion of the Escrow Property released pursuant to this Certificate for general corporate purposes after the Company has repaid, redeemed, purchased, defeased or otherwise satisfied its obligations under all of the Senior Notes.

IN WITNESS WHEREOF, the Company, through the undersigned officer, has signed this Certificate this [] day of [], 2003.

POLYONE CORPORATION

By: _____
Name:
Title:

RECEIVABLES PURCHASE AGREEMENT

DATED AS OF MAY 6, 2003

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 COMMERCIAL FINANCE, INC.,

AS THE SYNDICATION AGENT

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SCHEDULES

- SCHEDULE I Lock-Box Banks and Lock-Box Accounts
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- SCHEDULE IV Forms of Invoices
- SCHEDULE V Changes in Financial Conditions or Operations

RECEIVABLES PURCHASE AGREEMENT

RECEIVABLES PURCHASE AGREEMENT dated as of May 6, 2003 (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"), as issuing bank (the "Issuing Bank"), and NATIONAL CITY COMMERCIAL FINANCE, INC., an Ohio corporation ("NCCF"), as the syndication agent (the "Syndication Agent").

PRELIMINARY STATEMENTS:

(1) 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.

(2) The Purchasers may at any time and from time to time purchase Receivable Interests from the Seller.

(3) 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.

(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) The Issuing Bank has been requested and is willing to make available to the Seller a letter of credit sub-facility upon the terms and subject to the conditions set forth herein.

(7) NCCF has been requested and is willing to act as the Syndication Agent.

(8) 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 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 fee letter dated as of March 13, 2003 between PolyOne Corporation and Citicorp USA, Inc., as the same may be amended from time to time.

"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.

"Applicable L/C Margin" means (a) for the initial period commencing on the Closing 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 Year ending December 2003 in accordance with Section 5.05(c), 2.75% 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):

| AVERAGE MONTHLY EXCESS AVAILABILITY ----- | APPLICABLE L/C MARGIN ----- |
|---|--------------------------------|
| Greater than \$150,000,000 | 2.50% |
| Less than or equal to \$150,000,000 and greater than \$75,000,000 | 2.75% |
| Less than or equal to \$75,000,000 | 3.00% |

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 the initial period commencing on the Closing 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 Year ending December 2003 in accordance with Section 5.05(c), in the case of Capital Investments having a Yield determined with reference to the Alternate Base Rate, 2.00% per annum and, in the case of Capital Investments having a Yield determined with reference to the Adjusted LIBO Rate, 3.00% 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):

| AVERAGE MONTHLY EXCESS AVAILABILITY ----- | ALTERNATE BASE RATE ----- | ADJUSTED LIBO RATE ----- |
|---|------------------------------|-----------------------------|
| Greater than \$150,000,000 | 1.75% | 2.75% |
| Less than or equal to \$150,000,000 and greater than \$75,000,000 | 2.00% | 3.00% |
| Less than or equal to \$75,000,000 | 2.25% | 3.25% |

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) the Net Receivables Pool Balance at such time, minus (b) the sum of (i) the Capital at such time, (ii) the Letter of Credit Undrawn Amounts and (iii) any Applicable Reserve in effect at such time.

"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.

"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 Lender 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, 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 or any Event of Default pursuant to Section 6.01(h) of the Revolving Credit Agreement.

"Citicorp" has the meaning assigned to that 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 (in the case of the Citicorp LIBO Rate) or the Business Day prior (in the case of the Citicorp Base Rate), either the Citicorp LIBO Rate or the Citicorp Base Rate, 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.

"Closing Date" means May 6, 2003.

"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 (i) in respect of each Initial Purchaser, the commitment of such Purchaser to make Purchases and acquire other Capital Investments in the aggregate principal amount set forth as the "Commitment" under the name of such Initial Purchaser on the signature pages hereto and (ii) in respect of each other Purchaser that became a Purchaser by entering into an Assignment and Acceptance, 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 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 third anniversary of the Closing Date.

"Consent and Agreement" means a consent and agreement dated May 6, 2003, in substantially the form of Exhibit E hereto, with respect to the Receivables Sale Agreement, duly executed by the Seller and each Originator.

"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 the Servicer for any period, (a) cash interest expense of the Servicer and its Subsidiaries determined on a Consolidated basis in accordance with GAAP together with the cash interest expense of the Seller (including, but not limited to, Yield payable hereunder) determined in accordance with GAAP including, in any event, 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 the Servicer, its Subsidiaries and the Seller under all interest rate swap, cap, collar or similar agreements and interest rate insurance for such period and minus (c) any interest income of the Seller plus the Consolidated interest income of the Servicer and its Subsidiaries 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.

"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 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 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 Obligor 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, 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 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 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.

"Existing Program" means 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.

"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 the Servicer 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.

"Fee Letter" means the fee letter agreement dated March 13, 2003 among PolyOne, Citicorp and Salomon Smith Barney Inc., as the same may from time to time be amended, supplemented or otherwise modified.

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

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

"GAAP" means generally accepted accounting principles in the United States consistently applied, 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, the Issuing Bank and the Agent and their respective Affiliates and successors and assigns and their respective officers, directors, managers, managing members, partners and employees.

"Initial Capital" means, in respect of each Initial Purchaser, the amount set forth as the "Initial Capital" under the name of such Initial Purchaser on the signature pages hereto.

"Intercreditor Agreement" means the intercreditor agreement dated May 6, 2003 between the Agent, Citicorp USA, Inc, as agent for the lenders under the Revolving Credit Agreement, U.S. Bank Trust National Association, not in its individual capacity but solely as corporate trustee (the "Corporate Trustee") and Angelita Pena, as individual collateral trustee for the lenders under the Revolving Credit Agreement and the other secured holders which intercreditor agreement shall confirm that the Receivables and the Related Security shall be free of any security interest or other interest in favor of the lenders and agent under the Revolving Credit Agreement and shall otherwise be in form an substance satisfactory to the Agent.

"Interest Coverage Ratio" means, at any date of determination, the ratio of Adjusted EBITDA to Consolidated Interest Expense, in each case 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.

"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 Bank 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 Sublimit" means \$50,000,000.

"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 Bank 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, PolyOne Engineered Films, Inc., a Virginia corporation, 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.

"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.

"Parent Undertaking" means the Undertaking Agreement in the form attached hereto as Exhibit K hereto, dated as of May 6, 2003, by PolyOne in favor of the Agent, the Issuing Bank, 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.

"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.

"Projections" means those financial projections dated April 1, 2003 covering the Fiscal Years ending in 2003 through 2006 inclusive, to be delivered to the Purchasers by PolyOne.

"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 Sale Agreement" means the Receivables Sale Agreement, dated as of May 6, 2003, 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.

"Receivables Excess Availability" means Available Capital plus 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 Bank 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 Receivables Sale Agreement, including, without limitation, (i) all rights to receive moneys due and to become due under or pursuant to the Receivables Sale Agreement, (ii) all rights to receive proceeds of any indemnity, warranty or guaranty with respect to the Receivables Sale Agreement, (iii) claims for damages arising out of or for breach of or default under the Receivables Sale Agreement, and (iv) the right to perform under the 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.

"Revolving Credit Agreement" means the amended and restated credit agreement dated May 6, 2003 between PolyOne Corporation and Citicorp USA Inc., as administrative agent and the financial institutions party thereto as lenders, in form and substance satisfactory to the Purchasers and under which the aggregate commitments of the lenders do not exceed \$50,000,000 and the maturity date is not earlier than the third anniversary of the Closing Date, as such agreement 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).

"Scheduled Other Debt Payment" means, with respect to:

(i) the 7.070% Medium Term Notes due June 26, 2006, issued by MA Hanna Company, the payment of \$20,000,000 of principal on or after June 26, 2006;

(ii) the 6.740% Medium Term Notes due December 22, 2005, issued by MA Hanna Company, the payment of \$20,000,000 of principal on or after December 22, 2005;

(iii) the 6.875% Debentures due December 1, 2004 issued by MA Hanna Company, the payment of \$20,000,000 of principal on or after December 1, 2004; and

(iv) the 6.875% Medium Term Notes due December 15, 2005, issued by Geon Company, the payment of \$75,000,000 of principal on or after December 15, 2005.

"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 Senior Notes, and in form and substance satisfactory to the Purchasers, 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).

"Senior Notes" means the 10% Senior Notes with an aggregate face amount of \$300,000,000 due May 15, 2010 issued by PolyOne Corporation and governed by the terms of the Senior Note Indenture.

"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.

"Subordinated Note" has the meaning specified in the Receivables Sale Agreement.

"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).

"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 \$225,000,000, as such amount may be reduced from time to time pursuant to Section 2.05.

"Total Excess Availability" means Total Excess Availability (as defined in and under the Revolving Credit Agreement as in effect on the Closing Date).

"Transaction Documents" means this Agreement, the Receivables Sale Agreement, the Subordinated Notes, the Parent Undertaking, the Lock-Box Agreements, the Consent and Agreement, the 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 the initial period commencing on the Closing 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 Year ending December 2003 in accordance with Section 5.05(c), 0.625% 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):

| AVERAGE MONTHLY EXCESS AVAILABILITY ----- | UNUSED COMMITMENT FEE RATE ----- |
|---|-------------------------------------|
| Greater than \$150,000,000 | 0.75% |
| Less than or equal to \$150,000,000 and greater than \$75,000,000 | 0.625% |
| Less than or equal to \$75,000,000 | 0.50% |

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 5 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 Closing Date and from time to time thereafter on any Business Day during the period from the Closing 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 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, the 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 Closing Date and to and including the earlier of the Termination Date and 30 days prior to the Commitment Termination Date; provided, however, that the Issuing Bank shall not 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 the Issuing Bank from Issuing such Letter of Credit or any Requirement of Law applicable to the Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Issuing Bank shall prohibit, or request that the Issuing Bank refrain from, the Issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Issuing Bank with respect to such Letter of Credit any restriction or reserve or capital requirement (for which the 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 the Issuing Bank as of the date of this Agreement and that the Issuing Bank in good faith deems material to it;

(ii) the 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 the 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 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 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 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 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 the Issuing Bank's usual and customary business practices. The Issuing Bank shall not 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 Bank 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 Issuing Bank, prior to the issuance of each Letter of Credit by the 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 Issuing Bank a letter of credit reimbursement agreement, in such form as the 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) The Issuing Bank shall comply with the following:

(i) give the Agent written notice (or telephonic notice confirmed promptly thereafter in writing), which writing may be a teletype 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 teletype, 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 the 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 the Issuing Bank of a Letter of Credit in accordance with the terms and conditions of this Agreement, the 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 the 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 Issuing Bank the amount of all Reimbursement Obligations owing to the 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 the 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 the Issuing Bank or any other Person. In the event that the Issuing Bank makes any payment under any Letter of Credit and the Seller shall not have repaid such amount to the 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 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 the 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 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 the Issuing Bank receives from the Seller a payment of a Reimbursement Obligation as to which the Agent has received for the account of the Issuing Bank any payment from a Purchaser pursuant to this Section 2.04(h) the 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 Issuing Bank, such Purchaser agrees to pay to the Agent for the account of the 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 the 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 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, the 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 the 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 the 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 the 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 the 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 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, the 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 the 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 Bank 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 Issuing Bank an amount in U.S. Dollars equal to the amount of all Reimbursement Obligations, if any, owing from the Seller to the 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 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 Closing 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 Bank 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 Bank 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 Bank's 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 dollar 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) On the second Business Day of each week (or more frequently if requested by the Agent, but 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 Business Day of the immediately preceding week (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 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 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. 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 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 Receivables Sale Agreement, the Consent and Agreement or the 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 Closing Date, pursuant to the terms of this Agreement and the Fee Letter, the Proposal Letter (as defined in the Fee Letter) and the Annex thereto.

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

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

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

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

(A) Proper financing statements naming each Originator as debtor, the Seller as secured party and Citicorp, as Agent, as assignee, to be filed under the UCC of all jurisdictions that the Agent may deem necessary in order to perfect the Seller's interests created or purported to be created by the Receivables Sale Agreement;

(B) 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;

(C) Completed requests for information, dated on or a date reasonably near to the Closing Date listing all effective financing statements which name each Originator (under its present name and any previous name) as debtor and which are filed in the jurisdictions in which filings are to be made pursuant to clause (iii)(A) above, together with copies of such financing statements (none of which, except those to be filed pursuant to clause (iii)(A) above and those subject to the termination and releases described in clause (iii)(B) above, shall cover any Receivables, Related Security, Collections or Contracts);

(D) The Consent and Agreement, duly executed by the Seller and each Originator; and

(E) The Subordinated Notes, in substantially the form of Exhibit B to the Receivables Sale Agreement, payable to the order of the Originators, respectively, and duly executed by the Seller.

(iv) A letter of credit agreement entered into between the Seller and each Originator.

(v) Certified copies 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 issued by the Secretary of State of the jurisdiction of incorporation of the Seller, the Servicer and each Originator, with respect to the Seller 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 or any Originator.

(xi) Completed requests for information, dated on or a date reasonably near to the Closing 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 (ix) of Section 3.01(b) above and those subject to the termination and releases described in (x) of Section 3.01(b) 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, (B) Woodrow W. Ban, Assistant Secretary and Senior Counsel of PolyOne, in substantially the form of Exhibit J-2 hereto and as to such other matters as the Agent may reasonably request, and (C) Thompson Hine LLP, counsel to each Originator, the Servicer and the Seller, in substantially the form of Exhibit J-3 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 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.

(xiv) A Lock-Box Agreement with each Lock-Box Bank, executed by such Lock-Box Bank and the Seller, the Servicer or an Originator, as applicable.

(xv) 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 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 (i) the Intercreditor Agreement duly executed by each party thereto and (ii) either those consents (in writing) to the execution, delivery and performance by the parties hereto of this Agreement which are required under the Intercreditor Agreement or a written agreement by the Bank Agent (as defined in the Intercreditor Agreement) addressed to the Agent to the effect that no such consents are required under the Intercreditor Agreement.

(e) The Agent shall have received the 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 (after giving effect to the initial Purchase, the closing of the Senior Notes and the closing of the Revolving Credit Agreement) 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) (i) All obligations under the Existing Program shall have been paid in full, (ii) all documentation relating to the Existing Program shall have been terminated on terms satisfactory to the Agent and (iii) the Agent shall have received evidence of such termination in form and substance satisfactory to the Agent.

(i) The Revolving Credit Agreement shall be in full force and effect.

(j) The Purchasers shall have received a certificate of the chief financial officer of PolyOne certifying that it has received not less than \$190,000,000 in gross cash proceeds from the issuance of the Senior Notes in a public offering or in a Rule 144A or other private placement.

(k) The Agent shall have received evidence that after giving effect to the Purchases occurring on the Closing Date, Total Excess Availability is not less than \$90,000,000 and Receivables Excess Availability is not less than \$75,000,000.

(l) The Agent shall be satisfied with the results of a field examination of the Originators conducted by Citicorp's internal auditors no more than 3 months prior to the Closing Date and shall have received appraisals (the "Initial Appraisals") of all Contracts of the Originators, each in form and substance satisfactory to the Agent.

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 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

(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, 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 or regulatory body 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, 2002, 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 in favor of the Seller and the Agent relating to the 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 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 Existing Program 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, the Transaction Documents or the Existing Program.

(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 an Originator in exchange for payment (made by the Seller to an Originator in accordance with the provisions of the 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

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 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 Closing 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 or regulatory body 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, 2002, 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, 2002, 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 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 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 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.

(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 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 Receivables Sale Agreement for the purchase price of the Receivables under the 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 Receivables Sale Agreement, make or hold any Investment in any Person.

(k) Sales, Etc., of Assets.

Except as contemplated 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 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) Receivables Sale Agreement.

(i) Cancel or terminate the 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 Receivables Sale Agreement or give any consent, waiver or approval thereunder, (iii) waive any default under or breach of the Receivables Sale Agreement or (iv) take any other action under the 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 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 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 Obligor 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 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 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 Projections.

(f) Public and Creditors' Reports. Promptly after the sending or filing thereof, copies of (a) all reports that PolyOne is required to provide or provides to the lenders under the Revolving Credit Agreement, (b) all reports PolyOne sends to its security holders generally, (c) 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., (d) all press releases and (e) 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) to any Person, or permit or suffer any other Person to acquire any interest in any of its assets (other than the sale or disposition of inventory in the ordinary course of business) unless (i) no Potential Event of Termination or Event of Termination is continuing or would result therefrom, (ii) such sale or other transfer is for Fair Market Value, (iii) 75% of the proceeds of such sale or transfer are payable in cash to the Servicer upon the consummation of such sale, and (iv) 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) Interest Coverage Ratio. Maintain as of the end of any fiscal quarter during each period set forth below, an Interest Coverage Ratio of not less than the applicable ratio set forth below:

| FISCAL QUARTER | RATIO |
|--------------------|-----------|
| September 30, 2003 | 1.00 to 1 |
| December 31, 2003 | 1.00 to 1 |
| March 31, 2004 | 1.15 to 1 |
| June 30, 2004 | 1.25 to 1 |

| | |
|-----------------------------------|-----------|
| September 30, 2004 | 1.75 to 1 |
| December 31, 2004 | 2.00 to 1 |
| March 31, 2005 | 2.00 to 1 |
| June 30, 2005 | 2.25 to 1 |
| September 30, 2005 and thereafter | 2.5 to 1 |

(b) Minimum Excess Availability. Maintain on each day Total Excess Availability in an amount not less than \$25,000,000 and Receivables 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 of the Fiscal Years set forth below, in an aggregate amount in excess of the maximum amount set forth below for such Fiscal Year:

| FISCAL YEAR ENDING ----- | MAXIMUM CAPITAL EXPENDITURES ----- |
|------------------------------------|--|
| December 2003 | \$75,000,000 |
| December 2004 | \$90,000,000; |
| and each Fiscal Year thereafter | |

provided, however, that to the extent that actual Capital Expenditures for any such Fiscal Year shall be less than the maximum amount set forth above for such Fiscal Year (without giving effect to the carryover permitted by this proviso), 50% of the difference between said stated maximum amount and such actual Capital Expenditures shall, in addition, be available for Capital Expenditures in the next succeeding Fiscal Year.

(b) Restricted Payments. Directly or indirectly, declare, order, pay, make or set apart any sum for any Restricted Payment unless, after giving effect to such Restricted Payment, (i) Total Excess Availability (calculated on a pro forma basis using the average Total Excess Availability for each day during the immediately preceding calendar month) is not less than the greater of (A) \$210,000,000, reduced by the amount of any Scheduled Other Debt Payment made during said immediately preceding calendar month, and (B) \$150,000,000, and (ii) the Adjusted EBITDA of the Servicer and its Subsidiaries for the twelve-month period ending on the last day of the most recently completed Fiscal Period is not less than \$200,000,000.

(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 Debt under the Revolving Credit Agreement, (iv) prepay any Debt

payable to the Servicer by any of its Subsidiaries, (v) prepay PolyOne's 9% Senior Notes due 2003 with the proceeds of the Senior Notes deposited into escrow on the Closing Date, (vi) 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, and (vii) 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 immediately preceding calendar month) is not less than the greater of (x) \$210,000,000, reduced by the amount of any Scheduled Other Debt Payment made during said immediately preceding calendar month, and (y) \$150,000,000, and (b) the Adjusted EBITDA of the Servicer and its Subsidiaries for the twelve-month period ending on the last day of the most recently completed Fiscal Period is not less than \$200,000,000.

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 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 (including, without limitation, all amounts outstanding under the Revolving Credit Agreement) 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, 2002, 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;

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 the 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 the 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 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 Bank, 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 Bank 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 Bank, 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 Bank, 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 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 as are delegated to the Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; (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) The 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 the 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 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 Bank in addition to the Purchasers required above to take such action, affect the rights or duties of the Issuing Bank under this Agreement or the other Transaction Documents.

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 Bank, 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 Bank, 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 Bank 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 Bank 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: /s/ John Rastetter

Name: John Rastetter
Title: President

Address: 33587 Walker Road
Avon Lake, Ohio 44012

Attention: Treasurer

Telephone No.: (216) 589-4291
Telecopier No.: (216) 589-4280

[RECEIVABLES PURCHASE AGREEMENT]

POLYONE CORPORATION,
as Servicer

By: /s/ John Rastetter

Name: John Rastetter
Title: Treasurer

Address: 33587 Walker Road
Avon Lake, Ohio 44012

Attention: Treasurer

Telephone No.: (216) 589-4291
Telecopier No.: (216) 589-4280

[RECEIVABLES PURCHASE AGREEMENT]

ISSUING BANK

CITIBANK, N.A.,
as Issuing Bank

By: /s/ David Jaffe

Name: David Jaffe
Title: Vice President

Address: 388 Greenwich Street
19th Floor
New York, New York 10013

Attention: David Jaffe

Telephone No.: (212) 816-2329
Telecopier No.: (212) 816-2613

[RECEIVABLES PURCHASE AGREEMENT]

AGENT

CITICORP USA, INC.,
as Agent

By: _____ /s/ David Jaffe

Name: David Jaffe
Title: Vice President

Address: 388 Greenwich Street
19th Floor
New York, New York 10013

Attention: David Jaffe

Telephone No.: (212) 816-2329
Telecopier No.: (212) 816-2613

[RECEIVABLES PURCHASE AGREEMENT]

SYNDICATION AGENT

NATIONAL CITY COMMERCIAL FINANCE, INC.,
as Syndication Agent

By: /s/ James C. Ritchie

Name: James C. Ritchie
Title: Vice President

Address: 1965 East 6th Street,
Suite 400
Cleveland, Ohio, 44114

Attention: James C. Ritchie

Telephone No.: (216) 222-9918
Telecopier No.: (216) 222-9555

[RECEIVABLES PURCHASE AGREEMENT]

INITIAL PURCHASERS:

CITICORP USA, INC.,
as an Initial Purchaser

By: /s/ David Jaffe

Name: David Jaffe
Title: Vice President

Address: 388 Greenwich Street
19th Floor
New York, New York 10013

Attention: David Jaffe

Telephone No.: (212) 816-2329
Telecopier No.: (212) 816-2613

Commitment: \$ 39,500,000.00

Percentage
Interest: The quotient, expressed as a
percentage, obtained by
dividing the Commitment by
225,000,000.

Initial Capital: \$ 15,161,804.65

[RECEIVABLES PURCHASE AGREEMENT]

NATIONAL CITY COMMERCIAL FINANCE, INC.,
as an Initial Purchaser

By: /s/ James C. Ritchie

Name: James C. Ritchie
Title: Vice President

Address: 1965 East 6th Street,
Suite 400
Cleveland, Ohio, 44114

Attention: James C. Ritchie

Telephone No.: (216) 222-9918
Telecopier No.: (216) 222-9555

Commitment: \$ 39,500,000.00

Percentage
Interest: The quotient, expressed as a
percentage, obtained by
dividing the Commitment by
225,000,000.

Initial Capital: \$ 15,161,804.65

[RECEIVABLES PURCHASE AGREEMENT]

THE CIT GROUP/BUSINESS CREDIT, INC.,
as an Initial Purchaser

By: /s/ James A. Brennan, Jr.

Name: James A. Brennan
Title: Vice President

Address: 1211 Avenue of the Americas
New York, New York 10036

Attention: Peter Skavla

Telephone No.: (212) 790-9170
Telecopier No.: (212) 536-1295

Commitment: \$ 20,000,000.00

Percentage

Interest: The quotient, expressed as a
percentage, obtained by dividing
the Commitment by 225,000,000.

Initial Capital: \$ 7,676,863.11

[RECEIVABLES PURCHASE AGREEMENT]

FLEET CAPITAL CORPORATION,
as an Initial Purchaser

By: /s/ Michael Kerneklian

Name: Michael Kerneklian
Title: Vice President

Address: 1633 Broadway
29th Floor
New York, New York 10019

Attention: Michael Kerneklian

Telephone No.: (646) 366-4377
Telecopier No.: (646) 366-4395

with a copy to:

Address: Fleet Capital Corporation
200 Glastonbury Boulevard
Glastonbury, Connecticut 06033

Attention: Lisa Giampalo,
Senior Documentation Administrator

Telephone: (860) 657-7655
Telecopier: (860) 657-7759

Commitment: \$ 20,000,000.00

Percentage
Interest: The quotient, expressed as
a percentage, obtained by
dividing the Commitment by
225,000,000.

Initial Capital: \$ 7,676,863.11

[RECEIVABLES PURCHASE AGREEMENT]

GMAC COMMERCIAL FINANCE LLC,
as an Initial Purchaser

By: /s/ George Grieco

Name: George Grieco
Title: Director

Address: 461 Fifth Avenue
21st Floor
New York, New York 10017

Attention: George Grieco,
Director

Telephone No.: (212) 329-1605
Telecopier No.: (212) 489-3980

Commitment: \$ 20,000,000.00

Percentage
Interest: The quotient, expressed as a
percentage, obtained by dividing
the Commitment by 225,000,000.

Initial Capital: \$ 7,676,863.11

[RECEIVABLES PURCHASE AGREEMENT]

MERRILL LYNCH CAPITAL,
a division of Merrill Lynch Business
Financial Services, Inc.,
as an Initial Purchaser

By: /s/ Richard J. Holston

Name: Richard Holston
Title: Vice President

Address: 225 Liberty Street
5th Floor
New York, New York 10281

Attention: Tara Wrobel,
Vice President

Telephone No.: (212) 236-1558
Telecopier No.: (212) 236-0048

Commitment: \$ 20,000,000.00

Percentage
Interest: The quotient, expressed as a
percentage, obtained by dividing
the Commitment by 225,000,000.

Initial Capital: \$ 7,676,863.11

[RECEIVABLES PURCHASE AGREEMENT]

LASALLE BUSINESS CREDIT, LLC,
as an Initial Purchaser

By: /s/ Anthony J. Veith

Name: Anthony J. Veith
Title: Senior Vice President

Address: 565 Fifth Avenue
27th Floor
New York, New York 10017

Attention: Ernest Abati,
First Vice President

Telephone No.: (212) 931-9700
Telecopier No.: (212) 986-4205

Commitment: \$ 15,000,000.00

Percentage
Interest: The quotient, expressed as a
percentage, obtained by dividing
the Commitment by 225,000,000.

Initial Capital: \$ 5,757,647.33

[RECEIVABLES PURCHASE AGREEMENT]

PNC BANK, N.A.,
as an Initial Purchaser

By: /s/ James Cannella

Name: James Cannella
Title: Vice President

Address: 1600 Market Street
31st Floor
Philadelphia, Pennsylvania 19103

Attention: Jacqueline Mackenzie,
Assistant Vice President

Telephone No.: (215) 585-2056
Telecopier No.: (215) 585-4771

Commitment: \$ 15,000,000.00

Percentage
Interest: The quotient, expressed as a
percentage, obtained by dividing
the Commitment by 225,000,000.

Initial Capital: \$ 5,757,647.33

[RECEIVABLES PURCHASE AGREEMENT]

ORIX FINANCIAL SERVICES, INC.,
as an Initial Purchaser

By: /s/ D. Darby Jones

Name: Deedra Darby-Jones
Title: Vice President

Address: 846 East Algonquin Road
Suite 101
Schaumburg, Illinois 60173

Attention: Deedra Darby-Jones

Telephone No.: (770) 970-8009
Telecopier No.: (770) 970-8059

with a copy to:

Address: ORIX Financial Services, Inc.
600 Townpark Lane
Kennesaw, Georgia 30144

Attention: Hal Parkerson, Esq.

Telephone No.: (770) 970-6327
Telecopier No.: (770) 970-6827

Commitment: \$ 12,000,000.00

Percentage

Interest: The quotient, expressed as a
percentage, obtained by dividing
the Commitment by 225,000,000.

Initial Capital: \$ 4,606,117.87

[RECEIVABLES PURCHASE AGREEMENT]

U.S. BANK NATIONAL ASSOCIATION,
as an Initial Purchaser

By: /s/ Donald K. Mitchell

Name: Donald K. Mitchell
Title: Vice President

Address: U.S. Bank Business Credit
425 Walnut Street
14th Floor
CN-0H-W14S
Cincinnati, Ohio 45202

Attention: Donald K. Mitchell

Telephone No.: (513) 632-3274
Telecopier No.: (513) 632-2040

Commitment: \$ 12,000,000.00

Percentage
Interest: The quotient, expressed as a
percentage, obtained by dividing
the Commitment by 225,000,000.

Initial Capital: \$ 4,606,117.87

[RECEIVABLES PURCHASE AGREEMENT]

WHITEHALL BUSINESS CREDIT CORPORATION,
as an Initial Purchaser

By: /s/ Joseph A. Klapkowski

Name: Joseph A. Klapkowski
Title: Vice President and Authorized Signatory

Address: One State Street
New York, New York 10004

Attention: Joseph A. Klapkowski,
Vice President

Telephone No.: (212) 806-4522
Telecopier No.: (212) 806-4510

Commitment: \$ 12,000,000.00

Percentage Interest: The quotient, expressed
as a percentage, obtained by
dividing the Commitment by
225,000,000.

Initial Capital: \$ 4,606,117.87

[RECEIVABLES PURCHASE AGREEMENT]

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 ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas A. Waltermire, Chairman of the Board, President and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 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 result of operations of the Company.

/s/ Thomas A. Waltermire

Thomas A. Waltermire
Chairman of the Board, President and Chief Executive Officer
May 15, 2003

A signed original of this written statement required by Section 906 has been provided to PolyOne Corporation and will be retained by PolyOne Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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 ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. David Wilson, Vice President and Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 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 result of operations of the Company.

/s/ W. David Wilson

W. David Wilson
Vice President and Chief Financial Officer
May 15, 2003

A signed original of this written statement required by Section 906 has been provided to PolyOne Corporation and will be retained by PolyOne Corporation and furnished to the Securities and Exchange Commission or its staff upon request.