

POLYONE CORP  
Form 424B5  
September 10, 2010

**Table of Contents**

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where such offer or sale is not permitted.

**Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-162856**

**Subject to Completion, Dated September 10, 2010**

**Preliminary Prospectus Supplement**

(To Prospectus dated November 13, 2009)

**\$320,000,000**

**PolyOne Corporation  
% Senior Notes due 2020**

We will pay interest on the notes on \_\_\_\_\_ and \_\_\_\_\_ of each year, beginning on \_\_\_\_\_, 2011. The notes will mature on \_\_\_\_\_, 2020.

We may redeem the notes, in whole or in part, at any time and from time to time on or after \_\_\_\_\_, 2015 at the redemption prices set forth in this prospectus supplement, plus accrued and unpaid interest. In addition, prior to \_\_\_\_\_, 2013, we, on one or more occasions, may redeem up to 35% of the aggregate principal amount of the notes from the proceeds of certain equity offerings at the redemption price of \_\_\_\_\_%, plus accrued and unpaid interest. We may also redeem any of the notes, in whole or in part, at any time and from time to time prior to \_\_\_\_\_, 2015 at a price equal to 100% of the principal amount of notes, plus a make-whole premium described in this prospectus supplement, plus accrued and unpaid interest.

The notes will be unsecured and will rank equally with our existing and future unsubordinated indebtedness. The notes will be effectively junior to our future secured indebtedness to the extent of the assets securing that indebtedness. The notes will not be guaranteed by any of our subsidiaries and will therefore be effectively subordinated to all liabilities, including trade payables, of our subsidiaries.

For a more detailed description of the notes, see **Description of Notes** beginning on page S-28.

**Investing in the notes involves risks. See Risk Factors beginning on page S-17.**

	<b>Per Note</b>	<b>Total</b>
Public offering price (1)	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to us	\$	\$

(1) Plus accrued interest, if any, from September , 2010, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to purchasers on September , 2010.

*Joint Book-Running Managers*

**BofA Merrill Lynch**

**Morgan Stanley**

**Wells Fargo Securities**

*Co-Managers*

**BB&T Capital  
Markets**

**KeyBanc Capital  
Markets**

**PNC Capital  
Markets LLC**

**US Bancorp**

September , 2010

---

**TABLE OF CONTENTS**

**Prospectus Supplement**

	<b>Page</b>
<u>About This Prospectus Supplement</u>	S-ii
<u>Where You Can Find More Information</u>	S-ii
<u>Information We Incorporate By Reference</u>	S-ii
<u>Prospectus Supplement Summary</u>	S-1
<u>Risk Factors</u>	S-17
<u>Disclosure Regarding Forward-Looking Statements</u>	S-21
<u>Use of Proceeds</u>	S-23
<u>Ratio of Earnings to Fixed Charges</u>	S-23
<u>Capitalization</u>	S-24
<u>Description of Other Debt</u>	S-25
<u>Description of Notes</u>	S-28
<u>Material U.S. Federal Tax Considerations</u>	S-82
<u>Certain ERISA Considerations</u>	S-86
<u>Underwriting</u>	S-88
<u>Legal Matters</u>	S-92
<u>Experts</u>	S-92

**Prospectus**

	<b>Page</b>
<u>About this Prospectus</u>	1
<u>Where You Can Find More Information</u>	1
<u>Information We Incorporate By Reference</u>	1
<u>The Company</u>	3
<u>Risk Factors</u>	4
<u>Disclosure Regarding Forward-Looking Statements</u>	4
<u>Use of Proceeds</u>	6
<u>Ratio of Earnings to Fixed Charges</u>	6
<u>Description of Capital Stock</u>	7
<u>Description of Depositary Shares</u>	9
<u>Description of Warrants</u>	12
<u>Description of Subscription Rights</u>	15
<u>Description of Debt Securities</u>	16
<u>Description of Units</u>	25
<u>Plan of Distribution</u>	26
<u>Legal Matters</u>	28
<u>Experts</u>	28

You should rely only on information contained or incorporated by reference into this prospectus supplement, in the accompanying prospectus or in any free writing prospectus that we may provide to you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or any document incorporated by reference or any free writing prospectus is accurate as of any date, other than the date mentioned on the cover page of these documents.

Neither we nor the underwriters are making an offer to sell or seeking an offer to buy the securities covered by this prospectus supplement in any jurisdiction where the offer or sale is not permitted.

---

**Table of Contents**

**ABOUT THIS PROSPECTUS SUPPLEMENT**

We provide information to you about this offering in two separate documents. The accompanying prospectus provides general information, some of which may not apply to this offering. This prospectus supplement describes the specific details regarding this offering and certain other matters relating to us and our financial condition. Additional information is incorporated by reference in this prospectus supplement. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement.

Before you invest in our notes, you should read the registration statement to which this document forms a part and this document, including the documents incorporated by reference herein.

References in this prospectus to the terms we, us, PolyOne or the Company or other similar terms mean PolyOne Corporation and its consolidated subsidiaries, unless we state otherwise or the context indicates otherwise.

For definitions of EBITDA and Adjusted EBITDA, reconciliations of EBITDA to net income, Adjusted EBITDA to net income and EBITDA on a segment basis to segment operating income and a discussion of EBITDA and Adjusted EBITDA as performance measures, see footnote (1) to Prospectus Supplement Summary Summary Historical Financial Data in this prospectus supplement.

**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934. We file reports, proxy statements and other information with the SEC. Our SEC filings are available over the Internet at the SEC's website at <http://www.sec.gov>. You may read and copy any reports, statements and other information filed by us at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call 1-800-SEC-0330 for further information on the Public Reference Room. You may also inspect our SEC reports and other information at the New York Stock Exchange, 20 Broad Street, New York, New York 10005, or at our website at <http://www.polyone.com>. The information contained on or accessible through our website is not a part of this prospectus supplement or the accompanying prospectus, other than the documents that we file with the SEC that are incorporated by reference into this prospectus supplement or the accompanying prospectus.

**INFORMATION WE INCORPORATE BY REFERENCE**

The SEC allows us to incorporate by reference into this prospectus supplement and the accompanying prospectus the information in documents we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and the accompanying prospectus, and information that we file later with the SEC will automatically update and supersede this information. Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus supplement and the accompanying prospectus to the extent that a statement contained in or omitted from this prospectus supplement or the accompanying prospectus, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.

**Table of Contents**

We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until the completion of the offering of securities described in this prospectus:

our Annual Report on Form 10-K for the year ended December 31, 2009;

our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2010 and June 30, 2010; and

our Current Reports on Form 8-K filed with the SEC on May 13, 2010, July 9, 2010 and September 10, 2010.

Our Current Report on Form 8-K filed with the SEC on September 10, 2010 updates the financial information in our Annual Report on Form 10-K for the year ended December 31, 2009 to reflect retrospective application of our change in accounting principle regarding first-in-first-out, or FIFO, inventory accounting and our new segment reporting structure. Each section of the Annual Report on Form 10-K for the year ended December 31, 2009 affected by these changes, namely, Item 1 Business, Item 6 Selected Financial Data, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 Financial Statements and Supplementary Data, has been updated to reflect these changes. Except to the extent relating to the updating of our financial statements and other financial information described above, the financial statements and other disclosures in such Form 8-K do not reflect any events that have occurred after the filing of the Annual Report on Form 10-K for the year ended December 31, 2009 with the SEC on February 18, 2010.

We will not, however, incorporate by reference in this prospectus supplement and the accompanying prospectus any documents or portions thereof that are not deemed filed with the SEC, including any information furnished pursuant to Item 2.02 or Item 7.01 of our Current Reports on Form 8-K unless, and except to the extent, specified in such current reports.

We will provide you with a copy of any of these filings (other than an exhibit to these filings, unless the exhibit is specifically incorporated by reference into the filing requested) at no cost, if you submit a request to us by writing or telephoning us at the following address and telephone number:

PolyOne Corporation  
33587 Walker Road  
Avon Lake, Ohio 44012  
(440) 930-1000  
Attn: Secretary

S-iii

---

**Table of Contents**

**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights selected information about us. It may not contain all the information that may be important to you in deciding whether to invest in the notes. You should read this entire prospectus supplement and the accompanying prospectus, together with the information incorporated by reference.*

**PolyOne Corporation**

We are a premier provider of specialized polymer materials, services and solutions with operations in thermoplastic compounds, specialty polymer services formulations, color and additive systems, thermoplastic resin distribution and specialty polyvinyl chloride, or PVC, resins. We also have two equity investments: SunBelt Chlor-Alkali Partnership, or SunBelt, a manufacturer of caustic soda and chlorine, and BayOne Urethane Systems, L.L.C., or BayOne, a formulator of polyurethane compounds. We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain processes to provide an essential link between large chemical producers (our raw material suppliers) and designers, assemblers and processors of plastics (our customers). We believe that we are positioned to benefit from several recent customer needs and trends, including: large chemical producers are increasingly outsourcing less-than-railcar business; polymer and additive producers need multiple channels to market; processors continue to outsource compounding; and international companies need suppliers with global reach. Our goal is to provide our customers with specialized material and service solutions through our global reach and product platforms, low-cost manufacturing operations, a fully integrated information technology network, broad market knowledge and raw material procurement leverage. Our primary end markets include appliances, building materials, consumer, electrical and electronics, healthcare, industrial, packaging, transportation and wire and cable. For the twelve months ended June 30, 2010, we had sales of \$2.4 billion, net income of \$133.2 million and Adjusted EBITDA of \$187.7 million. In fiscal year 2009, 39% of our revenues were outside of the United States.

**2009 Revenues by Geography**

**2009 Revenues by Market**

During the first quarter of 2010, we announced our new global organizational structure, which consists of five reportable segments: Global Color, Additives and Inks; Global Specialty Engineered Materials; Performance Products and Solutions; PolyOne Distribution; and SunBelt Joint Venture. In addition, we refer to our two specialty businesses, Global Specialty Engineered Materials and Global Color, Additives and Inks, as our Specialty Platform. We believe this global organizational structure will create value for our customers by delivering consistent service and quality, superior technology, and innovative solutions, coupled with a strong connection to local culture, customs and languages of our customers. The financial statements contained in our Current Report on Form 8-K filed with the SEC on September 10, 2010, which is incorporated by reference into this prospectus supplement, reflect our new segment reporting structure.

**Global Color, Additives and Inks**

Global Color, Additives and Inks is a leading provider of specialized color and additive concentrates as well as inks and latexes. Color and additive products include an innovative array of colors, special effects and performance-enhancing and eco-friendly solutions. When combined with non pre-colored base resins, our





## **Table of Contents**

colorants help customers achieve a wide array of specialized colors and effects that are targeted at the demands of today's highly design-oriented consumer and industrial end markets. Our additive masterbatches encompass a wide variety of performance enhancing characteristics and are commonly categorized by the function that they perform, such as UV stabilization, anti-static, chemical blowing, antioxidant and lubricant and processing enhancement. Our colorant and additives masterbatches are used in a broad range of plastics, including those used in food and medical packaging, transportation, building products, pipe and wire and cable markets. We also provide custom-formulated liquid systems that meet a variety of customer needs and chemistries, including vinyl, natural rubber and latex, polyurethane and silicone. Products include proprietary inks and latexes for diversified markets including recreational and athletic apparel, construction and filtration, outdoor furniture and healthcare. In addition, we have a 50% interest in BayOne, a joint venture between PolyOne and Bayer Corporation, which sells liquid polyurethane systems into many of the same markets. For the twelve months ended June 30, 2010, the Global Color, Additives and Inks segment had sales of \$506.0 million (36.4% U.S. and 63.6% Non-U.S.), operating income of \$38.1 million and EBITDA of \$53.8 million.

### **Global Specialty Engineered Materials**

Global Specialty Engineered Materials is a leading provider of custom plastic compounding services and solutions for processors of thermoplastic materials across a wide variety of markets and end-use applications. Our product portfolio, which we believe to be one of the most diverse in our industry, includes standard and custom formulated high-performance polymer compounds that are manufactured using thermoplastic compounds and elastomers, which are then combined with advanced polymer additive, reinforcement, filler, colorant and/or biomaterial technologies. This segment includes GLS Corporation, or GLS, which we acquired in 2008. We believe GLS offers the broadest range of soft-touch thermoplastic elastomers, or TPEs, in the industry. Our compounding expertise enables us to expand the performance range and structural properties of traditional engineering-grade thermoplastic resins. Our product development and application reach is further enhanced by the capabilities of our Engineered Materials Solutions Centers in the United States, Germany, and China, which produce and evaluate prototype and sample parts to help assess end-use performance and guide product development. Our manufacturing capabilities are targeted at meeting our customers' demand for speed, flexibility and critical quality. For the twelve months ended June 30, 2010, the Global Specialty Engineered Materials segment had sales of \$473.9 million (35.8% U.S. and 64.2% Non-U.S.), operating income of \$40.6 million and EBITDA of \$54.1 million.

### **Performance Products and Solutions**

Performance Products and Solutions is an industry leader offering an array of products and services for vinyl molding and extrusion processors principally in North America. Our product offerings include vinyl compounds, vinyl resins and specialty coating materials based largely on vinyl. We believe that Geon is the leading North American vinyl compounder, and the Geon name carries strong brand recognition. These products are sold to manufacturers of plastic parts and consumer-oriented products. We also offer a wide range of services including materials testing and component analysis, custom compound development, colorant and additive services, design assistance, structural analyses, process simulations and extruder screw design. Vinyl is utilized across a broad range of applications in building and construction, wire and cable, consumer and recreation markets, transportation, packaging and healthcare. This operating segment also includes Producer Services, which offers custom compounding services to resin producers and processors that design and develop their own compound and masterbatch recipes. As a strategic and integrated supply chain partner, Producer Services offers resin producers a way to develop custom products for niche markets by using our compounding expertise and multiple manufacturing platforms. For the twelve months ended June 30, 2010, the Performance Products and Solutions segment had sales of \$740.8 million, operating income of \$49.3 million and EBITDA of \$69.8 million.



**Table of Contents**

**PolyOne Distribution**

Our PolyOne Distribution business distributes more than 3,500 grades of engineering and commodity grade resins, including PolyOne-produced compounds, to the North American market. These products are sold to over 5,000 custom injection molders and extruders who, in turn, convert them into plastic parts that are sold to end-users in a wide range of industries. Representing over 20 major suppliers including Bayer AG, The Dow Chemical Company, Eastman Chemical Company, E.I. du Pont de Nemours & Company, or DuPont, and Lanxess AG, we offer our customers a broad product portfolio, just-in-time delivery from multiple stocking locations and local technical support. Our distribution segment consistently demonstrates exemplary customer service and on-time delivery, which we believe has resulted in our recent expanded distribution agreements with several valued suppliers including BASF SE, DuPont and Ineos ABS Ltd. In 2009, DuPont Engineering Polymers named PolyOne Distribution as its primary distributor for thermoplastic products in North America. Our focus on the healthcare end market, which now accounts for approximately 17% of PolyOne Distribution's sales, has also been instrumental in securing new business for our distribution segment. In June 2010, we reached an agreement to distribute Dow Corning silicone elastomer products to health care device manufacturers in North America. For the twelve months ended June 30, 2010, the PolyOne Distribution segment had sales of \$810.4 million, operating income of \$36.2 million and EBITDA of \$37.5 million.

**SunBelt Joint Venture**

Our SunBelt Joint Venture segment consists entirely of our 50% equity interest in SunBelt. SunBelt, a producer of chlorine and caustic soda, is a joint venture with Olin Corporation. In 2009, SunBelt had production capacity of approximately 320 thousand tons of chlorine and 358 thousand tons of caustic soda. Most of the chlorine manufactured by SunBelt is used to produce PVC resin. Caustic soda is sold on the merchant market to customers in the pulp and paper, chemical, building and construction and consumer products industries. For the twelve months ended June 30, 2010, we recognized equity income of \$15.8 million from the SunBelt joint venture.

OxyVinyls LP, or OxyVinyls, a former 24% owned affiliate, purchases chlorine from SunBelt under an agreement that expires in 2094. The agreement requires OxyVinyls to purchase a minimum of 250 thousand tons of chlorine per year.

**Industry Overview**

Polymers are a class of organic materials that are generally produced by converting natural gas or crude oil derivatives into monomers, such as ethylene, propylene, vinyl chloride and styrene. These monomers are then polymerized into chains called polymers, or plastic resin, in its most basic form. Large petrochemical companies, including some in the petroleum industry, produce a majority of the monomers and base resins. Monomers make up the majority of the variable cost of manufacturing the base resin. As a result, the cost of a base resin tends to move in tandem with the industry market prices for monomers and the cost of raw materials and energy used during production. Through our equity interest in SunBelt, we realize a portion of the economic benefits of a base resin producer for PVC resin, one of our major raw materials.

Thermoplastic polymers make up a substantial majority of the resin market and are characterized by their ability to be reshaped repeatedly into new forms after heat and pressure are applied. The major types of thermoplastics include polyethylene, PVC, polypropylene, polystyrene and polyester. Thermoplastic resins are found in a number of end market use products and in a variety of markets, including packaging, building and construction, wire and cable, transportation, medical, furniture and furnishings, durable goods, institutional products, electrical and electronics, adhesives, inks and coatings.

Various additives can be combined with a base resin to provide it with greater versatility and performance. These combinations are known as plastic compounds. Plastic compounds offer advantages compared to traditional materials that include processability, weight reduction, chemical resistance, flame retardance and lower cost. Plastics have a reputation for durability, aesthetics, ease of handling and recyclability.

S-3

---

**Table of Contents**

**Business Strategies**

We intend to strengthen our position as a leading global polymer services provider through the following four pillar strategy:

**Specialization:** Specialization differentiates our value-creating offerings from simple material supply by delivering customers the service, technology and innovation they demand. We believe that customers are willing to pay a premium for innovative product solutions customized for their needs and timely delivery of their orders. We leverage our in-depth knowledge of polymers, formulations, polymer processing and the voice of the customer to continuously evolve our portfolio of products and solutions. We measure our success in this regard with a Specialty Platform Vitality Index. The Vitality Index measures the percentage of Specialty Platform sales derived from products introduced in the last five years, which have higher margins than older products. Below are charts that illustrate our recent progress:

**Specialty Platform  
Vitality Index Progression**

**Specialty Platform  
Gross Margin %**

In addition to organically advancing our portfolio of new and innovative products, we have continued to reposition our portfolio of businesses through acquisitions and divestitures. Since 2007, we have divested our equity investments in OxyVinyls, Geon Polimeros Andinos and O Sullivan Films, which were more commodity in nature and non-core to our strategy. In January 2008, we acquired GLS, a global developer of TPE compounds, which we believe offers the broadest range of soft-touch TPE materials in the industry. In December 2009, we acquired New England Urethane, or NEU. NEU is a specialty healthcare engineered materials producer that provides high performance engineered thermoplastics, services and solutions to the healthcare market and expands our product offering in this attractive end market. Overall for PolyOne, our sales to the healthcare market have increased by 45% since 2006 and represented approximately 8% of our 2009 sales.

We intend to continue to grow our Specialty Platform through acquisitions. We are currently in discussions with a number of third parties in connection with the potential acquisition of businesses that we would add to our Specialty Platform. The current proposed aggregate purchase price for these businesses is approximately \$100 million, which we would expect to fund with cash on hand. Although we have entered into exclusivity arrangements with the proposed sellers of these businesses, we have not entered into any definitive agreements for the purchase of any of these businesses. Accordingly, there can be no assurance that we will successfully complete all or any of these or other proposed acquisitions, on the currently proposed terms or at all.

Our transformation towards a specialty focus has resulted in a significant increase in operating income from our Specialty Platform since 2005. Operating income from our Global Specialty Engineered

**Table of Contents**

Materials segment and our Global Color, Additives and Inks segment, which are the two components of our Specialty Platform, increased from \$0.4 million and \$4.3 million, respectively, in 2005, to \$20.6 million and \$25.2 million, respectively, in 2009. Our long-term goal is to achieve at least a 50% contribution to operating income from specialty businesses.

**Globalization:** Globalization takes us into high-growth markets to which our customers are migrating and positions us to serve them with consistent standards of performance everywhere in the world. In the first quarter of 2010, we announced the restructuring of our Specialty Platform to globalize our Specialty Engineered Materials and Specialty Color, Additives and Inks segments, which were previously run on a regional basis. This new orientation leverages our global presence and allows us to more effectively serve our customer base, which demands the same level of consistency of innovation, service, and quality worldwide. We have a strong foothold in China with eight plants, two plants in Eastern Europe and a new plant in India as well as sales offices in Japan and the Republic of Korea. Our Asian operations include eight manufacturing plants and eleven sales offices and technical centers. Asia is our highest growth geography in percentage terms. Asia experienced sales growth of 44% in the first half of 2010 compared to the same period in 2009. We intend to continue aligning our specialized product offerings and geographic footprint through organic growth or acquisitions in high-growth regions such as Latin America and the Middle East. We generated 34.8% of our total revenue and 63.9% of our Specialty Platform revenue outside of the United States for the twelve-month period ended June 30, 2010.

**Commercial Excellence:** Commercial excellence governs our activities in the marketplace and is a point of substantial competitive differentiation. Over the last three years, we have invested heavily in training our commercial resources to move away from selling volume towards selling value. For example, through the use of our proprietary Economic Value Estimator (EVE) tool, we can communicate the economic value of our products and services by illustrating how our products increase customers' sales or reduce their total cost of production. We have also recently launched a cross-selling initiative in which sales personnel from our different segments are working together to identify opportunities to provide a more complete package of services and solutions to our customers. An example of the successful application of both our EVE tool and cross-selling initiative was the combining of our color masterbatch technology with our vinyl compounding knowledge to create a specialty vinyl compound possessing metallic sheen enabling customers to eliminate costly painting operations from their production processes. This new product allowed us to expand our relationship with an existing customer by providing a more specialized value-creating product.

**Operational Excellence:** Operational excellence empowers us to respond to the needs of the customer with a relentless focus on continuously improving our production processes and logistics, resulting in improved customer response time, lower working capital and more efficient utilization of raw materials and plant and equipment. We are continuously refining our culture of lean manufacturing and Lean Six Sigma, or

**Table of Contents**

LSS, production to minimize waste and lead times while maintaining optimal resource utilization and excellent customer delivery. We currently have over 165 LSS projects ongoing across all functional areas of the Company. In January 2010, the International Quality and Productivity Center awarded PolyOne its prestigious Process Excellence award in recognition of the best start-up program for Lean Six Sigma deployment in 2009. Since its implementation, LSS has contributed to an increase in gross margin from 10.7% in 2008 to 17.4% in the six months ending June 30, 2010, and we will continue to target a one percentage point improvement in gross margin per year through at least 2011. We have also reduced working capital as a percentage of sales from 15.4% in 2008 to 8.9% in the six months ending June 30, 2010 while achieving a 92% on-time delivery percentage, measured from customer request date. Currently, approximately 22% of active PolyOne associates are trained in LSS, with approximately 1% certified as Black Belts. Our operational excellence initiatives and restructuring programs helped drive record net cash provided by operating activities of \$229.7 million in fiscal year 2009.

**Competitive Strengths**

***Proven Management Team:*** We began to assemble a new management team in 2006 and completed the process over the following two years. Together, we have developed a new strategy to change our culture from selling volume to providing value-added solutions. The strategy was formalized into our current four pillar approach of Specialization, Globalization, Commercial Excellence and Operational Excellence. We have reorganized the business as a global entity and are focused on migrating a larger portion of the portfolio to specialty solutions. Our current senior management team has prior experience with some of the world's leading companies, including Ecolab, Nalco, General Electric, 3M, Air Products, H.B. Fuller and SPX Corporation, and is responsible for the performance to date as a result of focusing the business on specialty products and profitability, instilling a greater sense of urgency and accountability, and the implementation of working capital improvements, restructuring initiatives and LSS.

***Technology Innovator:*** Through our comprehensive design and customer-centric support services, we work directly with customers to customize and efficiently deliver the appropriate polymer compound to meet specific end-use applications. In addition, we leverage our global research and development capabilities and market knowledge to create new generations of products and services. We are accelerating our research and development efforts to support regional customer needs while leveraging the knowledge across our global footprint. Through our Vitality Index, we track the percentage of sales derived from products sold by our Specialty Platform introduced in the last five years. Gross margins from these new products are higher than products that have been in the market for over five years, reflecting the importance and value of new specialty products to our customers. Some examples of innovative new products driving the improvement in the Vitality Index and the overall performance of the Specialty Platform are TPEs for a variety of soft-touch consumer product applications and flame-retardant wire and cable solutions for use in alternative energy applications. We achieved a Vitality Index record of 40% in the first six months of 2010, compared to 20% in 2006. In addition to our existing products, we are managing a broad innovation pipeline consisting of approximately 125 new projects in thermoplastic polymer compounds and color concentrates, thermoset elastomer compounds, liquid polymer systems and additives, which will allow us to deliver technology-based solutions to meet the specifications of future customers. We believe that this makes us a preferred supplier to customers that have needs for diversified and customized products.

***Positioned To Benefit From New Consumer and Regulatory Trends:*** PolyOne is uniquely positioned to benefit from new trends in home construction and auto manufacturing and new government regulation. In the residential housing sector, consumers are demanding less expensive homes that use more economical materials, such as our specialty vinyl resin. In a similar fashion, vehicle manufacturers are working quickly with suppliers to find ways to remove weight and improve fuel efficiency as a result of Corporate Average Fuel Economy regulations. Our specialty compounds continue to be one of the critical solutions in allowing manufacturers to use less metal, resulting in lighter weight components. In addition to changes in consumer trends, new regulations from the U.S. Food and Drug Administration, or FDA, and the U.S. Consumer Products Safety Improvement Act, the European Union's





## **Table of Contents**

Restriction of Chemical Substances and Restriction of Hazardous Substances directives have led to changes in material requirements or restrictions, which increase demand for the development of specialized replacement materials. For example, our customers are reacting to recent consumer sentiment around the use of bisphenol-A, or BPA, in bottles and beverage containers, leading to increased demand for BPA-free baby and child products. With our Eastman Tritan™ compounds, we are responding with BPA-free alternatives that are also FDA-compliant in applications such as infant care sippy cups, houseware drinking sets and sports bottles.

***Global Presence:*** We believe the scope of our customer, end market and geographic diversification adds consistency and stability to our free cash flow. We have 47 manufacturing sites and 11 distribution facilities across North America, Europe and Asia, offering more than 35,000 products in over 100 countries. We believe that our global presence reduces the risk associated with local market trends and events on our overall performance. We also believe that the recent restructuring of our Specialty Platform to create globally, rather than regionally, focused business units strengthens our ability to provide innovative products and services with greater quality and consistency to our global and regional customers and markets. During the twelve-month period ended June 30, 2010, 63.9% of our Specialty Platform sales were outside the United States.

***Strong Customer Relationships Across Diverse End Markets:*** We have a customized approach to developing innovative and responsible solutions that help our customers differentiate their products, enter new markets, win new business, solve manufacturing challenges, meet unique material needs, reduce operating costs, eliminate waste and meet sustainability goals. We believe that this approach has led to strong customer relationships. In 2009, we served over 10,000 customers globally covering a broad range of industries, including appliance, building materials, consumer, electrical and electronics, healthcare, industrial, packaging, textiles, transportation and wire and cable, with no customer accounting for more than 3% of revenue. Our recent acquisitions of GLS and NEU complement our existing customer base with added focus on the healthcare, consumer non-durables and packaging sectors and also reposition our expanding portfolio into higher value, less cyclical end markets.

***Reduced Cost Structure to Provide Leverage During Cyclical Recovery:*** We believe that we are well-positioned to benefit from a cyclical recovery in our end markets. Through restructuring activities such as headcount reduction and facility rationalization, we achieved annualized run-rate cost savings of \$60 million during the third quarter of 2009, resulting in a significantly lower cost base. Our lower cost structure allowed us to increase profitability and free cash flow during the challenging economic conditions of 2009. As a result, we believe we can drive profit margin expansion as volumes recover from the unsustainably low levels in the housing and auto end markets.

## **Recent Developments**

***Inventory Accounting Change:*** We have changed our inventory accounting method from a last-in-first-out, or LIFO, basis to a first-in-first-out, or FIFO, basis in support of the global realignment of our businesses units. Certain U.S. businesses previously used the LIFO methodology. We elected this change in accounting principle during the first quarter of 2010. The change in accounting principle is required to be reported through retrospective application of historical results in future quarterly and annual reports filed with the SEC to conform to current period presentation. Our Current Report on Form 8-K filed with the SEC on September 10, 2010, which is incorporated by reference into this prospectus supplement, updates the financial information in our Annual Report on Form 10-K for the year ended December 31, 2009 to reflect retrospective application of our change in accounting principle regarding FIFO inventory accounting and our new segment reporting structure.

***Repayment of Credit Facility:*** On July 7, 2010, we fully repaid \$40.0 million of outstanding borrowings under and terminated our credit agreement, dated January 3, 2008, with Citicorp USA, Inc. The credit agreement provided for an unsecured revolving and letter of credit facility with total commitments of up to \$40.0 million and was scheduled to expire on March 20, 2011.



**Table of Contents**

**Tender Offer**

Concurrently with this offering, we are conducting an offer to purchase any and all of our 8.875% senior notes due 2012, which we refer to as the 2012 senior notes. As of September 10, 2010, \$280.0 million aggregate principal amount of our 2012 senior notes were outstanding. The tender offer is not conditioned upon any minimum amount of notes being tendered. The tender offer is conditioned upon the completion of this offering, as well as other conditions.

**Information About PolyOne**

We are an Ohio corporation formed on August 31, 2000 by the consolidation of The Geon Company and M.A. Hanna Company. Our principal executive office is located at 33587 Walker Road, Avon Lake, Ohio and our telephone number is (440) 930-1000. Our common shares are listed on the NYSE under the symbol POL. Our website address is www.polyone.com. The information contained on or accessible through our website is not a part of this prospectus supplement or the accompanying prospectus, other than the documents that we file with the SEC that are incorporated by reference into this prospectus supplement or the accompanying prospectus.

S-8

---

**Table of Contents**

**THE OFFERING**

*The following summary is provided solely for your convenience and is not intended to be complete. You should read the full text and more specific details contained elsewhere in this prospectus supplement. For a more detailed description of the notes, see Description of Notes.*

Issuer	PolyOne Corporation
Notes Offered	\$320,000,000 aggregate principal amount of % senior notes due 2020.
Maturity Date	, 2020.
Interest Payment Dates	The notes will bear interest at the rate of % per year, payable semi-annually in cash, in arrears on and of each year, commencing on , 2011.
Ranking	<p>The notes will be our senior unsecured obligations and will not be guaranteed by any of our subsidiaries. However, if certain of our domestic subsidiaries incur certain debt, such subsidiaries will also have to guarantee the notes. Accordingly, the notes will:</p> <ul style="list-style-type: none"> <li>rank equally in right of payment with all of our existing and future senior debt;</li> <li>rank senior in right of payment to all of our existing and future debt that is by its terms expressly subordinated to the notes;</li> <li>be effectively subordinated to all of our future secured debt, including secured debt under our credit facility, to the extent of the assets securing such debt; and</li> <li>be structurally junior to all of our future debt and other liabilities of any non-guarantor subsidiaries.</li> </ul> <p>As of June 30, 2010, after giving effect to this offering and the use of the estimated net proceeds therefrom and the July 2010 repayment of all amounts outstanding under our credit facility, we would have had total debt of approximately \$ million, none of which would have been secured debt.</p> <p>As of June 30, 2010, after giving effect to this offering and the use of the estimated net proceeds therefrom, our subsidiaries would have had total debt and other liabilities of approximately \$179.2 million.</p>
Optional Redemption	We may redeem the notes, in whole or in part, at any time and from time to time on or after , 2015 at the redemption prices described under Description of Notes Optional Redemption, plus accrued and unpaid interest.



**Table of Contents**

In addition, prior to \_\_\_\_\_, 2013, we on one or more occasions may redeem up to 35% of the aggregate principal amount of the notes from the proceeds of certain equity offerings at the redemption price of \_\_\_\_\_%, plus accrued and unpaid interest.

We may also redeem any of the notes, in whole or in part, at any time and from time to time prior to \_\_\_\_\_, 2015 at a price equal to 100% of the principal amount of notes, plus a make-whole premium described under Description of Notes Optional Redemption, plus accrued and unpaid interest.

Change of Control

If we experience certain kinds of changes of control of our company, we must give holders the opportunity to sell their notes to us at 101% of their principal amount, plus accrued and unpaid interest. See Description of Notes Change of Control.

We might not be able to pay the required price for notes presented to us at the time of a change of control because:

we might not have enough funds at the time; or

the terms of our other debt may prevent us from paying for the notes.

Covenants

The covenants contained in the indenture will, among other things, limit our ability and the ability of our restricted subsidiaries to:

incur more debt;

pay dividends and make distributions or repurchase shares;

make investments;

create liens;

enter into restrictions on the ability of our restricted subsidiaries to make distributions, loans or advances to us;

sell assets;

engage in certain types of transactions with affiliates;

engage in certain sale and leaseback transactions; and

merge or consolidate with other companies or sell substantially all of our assets.

These covenants are subject to a number of important exceptions, limitations and qualifications that are described under Description of

Notes.

During any period in which we achieve an investment grade rating for the notes from both Moody's Investors Service, Inc., or

S-10

---



**Table of Contents**

Moody's, and Standard & Poor's Ratings Services, or S&P, and in which no default or event of default has occurred and is continuing under the indenture, most of these covenants will be suspended. However, those covenants will apply and the suspension period will no longer be in effect if and when the notes cease to have investment grade ratings by both Moody's and S&P.

Use of Proceeds

We estimate that our net proceeds from this offering will be approximately \$ million, after deducting underwriting discounts and our estimated expenses related to this offering. We intend to use the net proceeds of this offering to fund the repurchase of our 2012 senior notes in the tender offer, including the payment of accrued interest and any applicable tender premiums. We intend to use any remaining net proceeds from this offering for other general corporate purposes, including, without limitation, to repay debt and to contribute to our pension plan. See Use of Proceeds.

Risk Factors

See Risk Factors and other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before investing in the notes.

**Table of Contents****SUMMARY HISTORICAL FINANCIAL DATA**

The following table presents selected financial and other data about us for the most recent three fiscal years, the six-month periods ended June 30, 2009 and 2010 and the twelve months ended June 30, 2010. We have derived the following financial data as of December 31, 2008 and 2009 and for the years ended December 31, 2007, 2008 and 2009 from our audited consolidated financial statements incorporated by reference into this prospectus supplement. We have derived the balance sheet data as of December 31, 2007 from our audited consolidated financial statements not incorporated by reference into this prospectus supplement. The financial data as of June 30, 2010 and for the six months ended June 30, 2009 and 2010 are derived from our unaudited financial statements incorporated by reference into this prospectus supplement. The balance sheet data as of June 30, 2009 are derived from our unaudited financial statements not incorporated by reference into this prospectus supplement. The results of operations and cash flow data for the twelve months ended June 30, 2010 were derived from the financial statements for the twelve months ended December 31, 2009 and the six months ended June 30, 2010 and 2009 as listed above. Financial data for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2009 have been adjusted to reflect retrospective application of our change in accounting principle regarding FIFO inventory accounting. The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of only normal, recurring adjustments necessary for the fair presentation of the information set forth therein. The results for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full year. The historical results included below and elsewhere in this prospectus supplement are not necessarily indicative of our future performance. Prospective investors should read the summary historical financial data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, the related notes and other financial information incorporated by reference into this prospectus supplement.

	Year Ended December 31,			Six Months Ended		Twelve
	2007	2008	2009	2009	2010	Months
				June 30,		Ended
				June 30,		June 30,
				2009	2010	2010
				(In millions)		
					(unaudited)	(unaudited)
<b>Consolidated statements of operations data:</b>						
Sales	\$2,642.7	\$2,738.7	\$2,060.7	\$959.9	\$1,323.3	\$2,424.1
Cost of sales	2,371.8	2,446.7	1,738.5	828.2	1,093.1	2,003.4
Gross margin	270.9	292.0	322.2	131.7	230.2	420.7
Selling and administrative	254.8	287.1	272.3	147.3	146.9	271.9
Impairment of goodwill		170.0	5.0	5.0		
Income from equity affiliates	27.7	31.2	35.2	23.4	9.3	21.1
Operating income (loss)	43.8	(133.9)	80.1	2.8	92.6	169.9
Interest expense, net	(46.9)	(37.2)	(34.3)	(17.6)	(15.7)	(32.4)
Premium on early extinguishment of long-term debt	(12.8)					
Other expense, net	(6.6)	(4.6)	(9.6)	(7.3)	(1.9)	(4.2)

Edgar Filing: POLYONE CORP - Form 424B5

Income (loss) before income taxes	(22.5)	(175.7)	36.2	(22.1)	75.0	133.3
Income tax benefit (expense)	40.3	(84.5)	13.3	2.5	(10.9)	(0.1)
Net income (loss)	\$17.8	\$(260.2)	\$49.5	\$(19.6)	\$64.1	\$133.2

S-12

---

**Table of Contents**

	Year Ended December 31,			Six Months Ended		Twelve
	2007	2008	2009	June 30,	2010	Months
				2009	2010	Ended
				(In millions)		June 30,
				(unaudited)		2010
						(unaudited)
<b>Balance sheet data (as of period end):</b>						
Cash and cash equivalents	\$79.4	\$44.3	\$222.7	\$182.3	\$241.1	\$241.1
Current assets	713.5	567.5	718.8	665.2	857.5	857.5
Property, net	449.7	432.0	392.4	408.8	363.7	363.7
Goodwill and other intangibles	295.5	233.0	235.2	226.5	233.2	233.2
Total assets	1,612.7	1,320.1	1,416.0	1,391.4	1,531.0	1,531.0
Current liabilities	373.6	304.2	375.7	393.8	501.7	501.7
Total debt	336.7	434.3	409.6	450.7	389.8	389.8
Shareholders' equity	\$679.1	\$218.3	\$357.7	\$223.7	\$407.5	\$407.5

	Year Ended December 31,			Six Months Ended		Twelve
	2007	2008	2009	June 30,	2010	Months
				2009	2010	Ended
				(In millions)		June 30,
						2010
						(unaudited)
<b>Other financial data:</b>						
Net cash provided by operating activities	\$67.2	\$72.5	\$229.7	\$134.6	\$41.2	\$136.3
Net cash provided (used) by investing activities	215.3	(193.5)	(26.2)	(12.2)	(3.1)	(17.1)
Net cash (used) provided by financing activities	(275.9)	88.0	(25.7)	15.1	(18.4)	(59.2)
EBITDA (1)	\$81.8	\$(70.5)	\$135.3	\$29.5	\$118.5	\$224.3
Adjusted EBITDA (1)	\$167.3	\$153.2	\$122.3	\$45.3	\$110.7	\$187.7
Capital expenditures	\$43.4	\$42.5	\$31.7	\$12.2	\$10.9	\$30.4
Ratio of earnings to fixed charges (2)			1.8x		4.4x	4.1x

- (1) EBITDA is defined as net income (loss) attributable to PolyOne Corporation plus interest expense, income tax expense (benefit) and depreciation and amortization. EBITDA is not a recognized term under U.S. GAAP and does not purport to be an alternative to net income (loss) as an indicator of operating performance or to cash flows from operating activities as a measure of liquidity. In addition, Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters that we may consider not to be indicative of our ongoing operations. However, these are expenses or charges that may recur, vary greatly and are difficult to predict. These expenses or charges can represent the effect of long-term strategies as opposed to short-term results. In addition,

certain of these expenses or charges can represent the reduction of cash that could be used for other corporate purposes. We believe that EBITDA and Adjusted EBITDA are financial measures that provide investors with additional information to measure our performance and evaluate our ability to service our debt, while minimizing the differences from depreciation policies, financial coverage and tax strategies.

S-13

---

**Table of Contents**

The tables below present the reconciliation from net income to EBITDA.

	<b>Six Months Ended June 30,</b>		<b>Twelve Months Ended June 30,</b>
	<b>2009</b>	<b>2010</b>	<b>2010</b>
	<b>(In millions)</b>		
Net income	\$(19.6)	\$64.1	\$133.2
Income tax expense (benefit)	(2.5)	10.9	0.1
Interest expense, net	17.6	15.7	32.4
Depreciation and amortization	34.0	27.8	58.6
<b>EBITDA</b>	<b>\$29.5</b>	<b>\$118.5</b>	<b>\$224.3</b>

	<b>Year Ended December 31,</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>(In millions)</b>		
Net income	\$17.8	\$(260.2)	\$49.5
Income tax expense (benefit)	(40.3)	84.5	(13.3)
Interest expense, net	46.9	37.2	34.3
Depreciation and amortization	57.4	68.0	64.8
<b>EBITDA</b>	<b>\$81.8</b>	<b>\$(70.5)</b>	<b>\$135.3</b>

The tables below present the reconciliations from EBITDA to Adjusted EBITDA.

	<b>Six Months Ended June 30,</b>		<b>Twelve Months Ended June 30,</b>
	<b>2009</b>	<b>2010</b>	<b>2010</b>
	<b>(In millions)</b>		
EBITDA	\$29.5	\$118.5	\$224.3
Charges to environmental remediation (a)	2.9	6.3	15.1
Reimbursement of previously incurred environmental costs (b)		(14.4)	(38.3)
Employee separation and plant phaseout costs (c)	13.1	0.6	14.7
Accelerated depreciation included in plant phaseout costs (d)	(5.4)	(0.2)	(3.4)
Legal (e)	0.2	0.3	0.4
Adjustment to impairment of goodwill (f)	5.0		

Edgar Filing: POLYONE CORP - Form 424B5

Curtailment and other postemployment benefit gain (g)			(21.9)
Gain on sale and (charges) related to investment in equity affiliates (h)			(2.8)
Gain on sale of investment in O Sullivan Films (i)		(0.4)	(0.4)
Adjusted EBITDA	\$45.3	\$110.7	\$187.7

S-14

---

**Table of Contents**

	<b>Year Ended December 31,</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>(In millions)</b>		
EBITDA	\$81.8	\$(70.5)	\$135.3
Charges to environmental remediation (a)	48.8	15.6	11.7
Reimbursement of previously incurred environmental costs (b)			(23.9)
Employee separation and plant phaseout costs (c)	2.2	39.7	27.2
Accelerated depreciation included in plant phaseout costs (d)		(6.9)	(8.6)
Legal (e)	2.4		0.3
Adjustment to impairment of goodwill (f)		170.0	5.0
Curtailement and other postemployment benefit gain (g)			(21.9)
Gain on sale and (charges) related to investment in equity affiliates (h)	16.8	4.7	(2.8)
Impairment of other intangibles and investments (j)	2.5		
Impairment of available for sale security (k)		0.6	
Premium on early extinguishment of long-term debt (l)	12.8		
Adjusted EBITDA	\$167.3	\$153.2	\$122.3

- (a) In 2007, our accrual for costs related to future remediation at inactive or formerly owned sites was adjusted based on a U.S. District Court's rulings on several motions in the case of Westlake Vinyls, Inc. v. Goodrich Corporation et al. and a settlement agreement entered into in connection with the case, which requires us to pay remediation costs related to the Calvert City facility.
- (b) In 2009, we received \$23.9 million from our former parent company, as partial reimbursement for certain previously incurred environmental remediation costs. In the second quarter of 2010, we received an additional \$14.4 million.
- (c) In 2008, we announced the restructuring of certain manufacturing assets, primarily in North America. In January 2009, we announced the initiation of further cost saving measures that included eliminating certain positions, implementing reduced work schedules, closing a facility and idling certain other capacity.
- (d) Adjustment is to exclude charges for accelerated depreciation and amortization included in *Employee separation and plant phaseout costs*, which are also reflected in the *Depreciation and amortization* amounts included in EBITDA.
- (e) In 2007, we recorded \$2.4 million related to the settlement of a non-environmental legal dispute.
- (f) In 2008, we recognized a non-cash goodwill impairment charge of \$170.0 million related to reporting units within the Performance Products and Solutions segment. In 2009, we increased our estimated year-end goodwill impairment charge of \$170.0 million by \$5.0 million.
- (g) In 2009, we amended certain of our post-retirement healthcare plans whereby benefits to be paid under these plans will be phased out through 2012, resulting in a curtailment gain of \$21.1 million. We also recorded curtailment gains totaling approximately \$0.8 million related to other employee benefit plans.

(h)



In 2009, we sold our 50% interest in Geon Polimeros Andinos, or GPA, resulting in a pre-tax gain of approximately \$2.8 million. In 2008, we recorded \$2.6 million related to our proportionate share of the write-down of certain assets by GPA and a \$2.1 million charge related to an impairment of our investment in this equity affiliate. In 2007, we recorded an impairment of \$14.8 million to our 24% equity investment in OxyVinyls as the carrying value was higher than the fair value and the decrease was determined to be an other than temporary decline in value. In 2007, we also recorded \$1.6 million related to our proportionate share of the write-down of certain assets by GPA.

S-15

---

**Table of Contents**

- (i) In the first quarter of 2010, we sold our remaining cost basis investment in O Sullivan Films, resulting in a gain of \$0.4 million.
- (j) In 2007, we recorded an impairment of the carrying value of certain patents and technology agreements and investments of \$2.5 million.
- (k) In 2008, we recorded an impairment charge of \$0.6 million related to one of our cost basis investments, as the decline in fair value was determined to be other-than-temporary.
- (l) In 2007, we paid a premium of \$12.8 million to repurchase \$241.4 million of our 10.625% senior notes.

Segment EBITDA is defined as segment operating income (loss) plus depreciation and amortization. Segment EBITDA is not a recognized term under U.S. GAAP and does not purport to be an alternative to operating income (loss) as an indicator of operating performance or to cash flows from operating activities as a measure of liquidity. We believe that segment EBITDA is a financial measure that provides investors with additional information to measure our performance. The table below presents the reconciliations from segment operating income to segment EBITDA

	<b>Year Ended</b>	<b>Six Months Ended</b>		<b>Twelve Months Ended</b>
	<b>December 31, 2009</b>	<b>2009</b>	<b>June 30, 2010</b>	<b>June 30, 2010</b>
<b>(In millions)</b>				
<b>Global Specialty Engineered Materials</b>				
Operating income	\$20.6	\$4.2	\$24.2	\$40.6
Depreciation and amortization	13.2	6.5	6.8	13.5
EBITDA	\$33.8	\$10.7	\$31.0	\$54.1
<b>Global Color, Additives and Inks</b>				
Operating income	\$25.2	\$7.6	\$20.5	\$38.1
Depreciation and amortization	15.8	8.0	7.9	15.7
EBITDA	\$41.0	\$15.6	\$28.4	\$53.8
<b>Performance Products and Solutions</b>				
Operating income	\$33.1	\$13.5	\$29.7	\$49.3
Depreciation and amortization	22.3	11.5	9.7	20.5
EBITDA	\$55.4	\$25.0	\$39.4	\$69.8
<b>PolyOne Distribution</b>				
Operating income	\$24.8	\$8.8	\$20.2	\$36.2
Depreciation and amortization	1.3	0.6	0.6	1.3
EBITDA	\$26.1	\$9.4	\$20.8	\$37.5

- (2) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income (loss) before income taxes and discontinued operations and exclude income (loss) from equity affiliates and minority interest and capitalized interest, but include dividends received from equity affiliates, fixed charges and amortization of previously capitalized interest. Fixed charges consist of interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness, a portion of rental expense representing an interest factor and interest expense relating to guaranteed debt of our equity affiliates. Earnings for 2007, 2008 and the six-month period ended June 30, 2009 were insufficient to cover fixed charges by \$12.5 million, \$173.8 million and \$31.3 million, respectively. Accordingly, no such ratio is presented for such periods.

S-16

---

**Table of Contents**

**RISK FACTORS**

*An investment in the notes involves risk. Prior to making a decision about investing in our notes, and in consultation with your own financial and legal advisors, you should carefully consider the following risk factors, as well as the risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which are incorporated herein by reference. You should also refer to the other information in this prospectus supplement and the accompanying prospectus, including our financial statements and the related notes incorporated by reference in this prospectus supplement. Additional risks and uncertainties that are not yet identified may also materially harm our business, operating results and financial condition.*

**Risks Relating to Our Debt, Including the Notes**

***Our high level of debt could impair our financial health and prevent us from fulfilling our obligations under the notes.***

As of June 30, 2010, after giving effect to the issuance of the notes offered hereby and the application of the net proceeds as described herein and the July 2010 repayment of all amounts outstanding under our credit facility, we would have had total indebtedness of approximately \$ million. Our high level of debt and our debt service obligations could:

- make it more difficult for us to satisfy our obligations with respect to the notes;
- reduce the amount of money available to finance our operations, capital expenditures and other activities;
- increase our vulnerability to economic downturns and industry conditions;
- limit our flexibility in responding to changing business and economic conditions, including increased competition and demand for new products and services;
- place us at a disadvantage when compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the indenture governing the notes will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. As of June 30, 2010, we had \$153.6 million in available capacity to be drawn from existing capital resources. If new debt is added to our and our subsidiaries existing debt levels, the risks associated with such debt that we currently face would increase. In addition, the indenture governing the notes will not prevent us from incurring obligations that do not constitute indebtedness under that agreement.

***Holders of any future secured debt would be paid first and would receive payments from assets used as security before you receive payments if we were to become insolvent.***

The notes will not be secured by any of our assets or the assets of our subsidiaries. The indenture governing the notes will permit, and the indentures governing our other outstanding notes and our guarantee of the SunBelt notes do permit, us to incur secured debt up to specified limits. If we were to become insolvent, holders of any future secured debt would be paid first and would receive payments from the assets used as security before you receive any payments. You may therefore not be fully repaid if we become insolvent. See Description of Other Debt.

S-17

---

**Table of Contents**

***We may be unable to generate sufficient cash to service all of our indebtedness, including the notes, and meet our other ongoing liquidity needs and may be forced to take other actions to satisfy our obligations under our indebtedness, which may be unsuccessful.***

Our ability to make scheduled payments or to refinance our debt obligations, including the notes, and to fund our planned capital expenditures and other ongoing liquidity needs depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that borrowings will be available to us to pay the principal, premium, if any, and interest on our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our debt, including the notes, on or before maturity. We may be unable to refinance any of our debt on commercially reasonable terms or at all.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture governing the notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

***The terms of our debt impose restrictions on our operations.***

The indenture governing the notes will include a number of significant restrictive covenants. These covenants could adversely affect us by limiting our ability to plan for or react to market conditions or to meet our capital needs. These covenants will, among other things, restrict our ability to:

incur more debt;

pay dividends and make distributions or repurchase shares;

make investments;

create liens;

enter into restrictions on the ability of our restricted subsidiaries to make distributions, loans or advances to us;

sell assets;

enter into certain types of transactions with affiliates;

engage in certain sale and leaseback transactions; and

merge or consolidate with other companies or sell substantially all of our assets.

In addition, our debt agreements require us to comply with various covenants. A breach of any of these covenants could result in an event of default under one or more of these agreements that, if not cured or waived, could give the holders of the defaulted debt the right to terminate commitments to lend and cause all

S-18

---

**Table of Contents**

amounts outstanding with respect to the debt to be due and payable immediately. Acceleration of any of our debt could result in cross defaults under our other debt instruments. Our assets and cash flow may be insufficient to fully repay borrowings under all of our outstanding debt instruments if some or all of these instruments are accelerated upon an event of default, which could force us into bankruptcy or liquidation. In such an event, we may be unable to repay our obligations under the notes. In addition, in some instances, this would create an event of default under the indenture governing the notes.

***The notes are not guaranteed and will therefore be structurally junior to the existing and future liabilities of our subsidiaries, and we may not have access to the cash flow and other assets of our subsidiaries that we may need to make payment on the notes.***

A significant portion of our operations are conducted by our subsidiaries. Our cash flows and our ability to service our indebtedness, including our ability to pay the interest on and principal of the notes when due, will be dependent upon cash dividends and other distributions or other transfers from our subsidiaries. Dividends, loans and advances to PolyOne Corporation from some of its subsidiaries may be restricted by applicable requirements of agreements, corporate statutes, foreign capital transfer restrictions and prohibitions on fraudulent or preferential conveyances. Our subsidiaries are separate and distinct legal entities from us and have no obligation to pay any amounts due on the notes or to provide us with funds to meet our payment obligations on the notes. Our right to receive any assets of any of our subsidiaries upon their bankruptcy, liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we are a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of those subsidiaries and any indebtedness of those subsidiaries senior to that held by us. As a result, the notes will also be structurally subordinated to all the liabilities of our subsidiaries, including trade payables. As of June 30, 2010, our subsidiaries had approximately \$0.4 million of debt. In addition, the indenture also permits us to make substantial additional investments in and loans to our subsidiaries. Our subsidiaries generated 34% of our consolidated revenues in the twelve-month period ended June 30, 2010.

***Key terms of the notes will be suspended if the notes achieve investment grade ratings.***

Most of the restrictive covenants in the indenture governing the notes will not apply during any period in which the notes have investment grade ratings from both Moody's and S&P and in which no default or event of default has occurred. Ratings are given by these rating agencies based upon analyses that include many subjective factors. We cannot assure you that the notes will achieve or maintain investment grade ratings, nor can we assure you that investment grade ratings, if granted, will reflect all of the factors that would be important to holders of the notes.

***We may be unable to repurchase notes in the event of a change of control as required by the indenture.***

Upon the occurrence of certain kinds of change of control events specified in the indenture, you will have the right, as a holder of the notes, to require us to repurchase all of your notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. Any change of control also would constitute a default under our receivables sale facility. Therefore, upon the occurrence of a change of control, the lenders under our receivables sale facility would have the right to accelerate their loans, and if so accelerated, we would be required to pay all of our outstanding obligations under such facility. We may not be able to pay you the required price for your notes at that time because we may not have available funds to pay the repurchase price. In addition, the terms of other existing or future debt may prevent us from paying you. There can be no assurance that we would be able to repay such other debt or obtain consents from the holders of such other debt to repurchase these notes. Any requirement to offer to purchase any outstanding notes may result in us having to refinance our outstanding indebtedness, which we may not be able to do. In addition, even if we were able to refinance our outstanding indebtedness, such financing may be on terms unfavorable to us.





**Table of Contents**

***An active trading market for the notes may not develop.***

There is no existing market for the notes and we do not intend to apply for listing of the notes on any securities exchange or any automated quotation system. Accordingly, there can be no assurance that a trading market for the notes will ever develop or will be maintained. Further, there can be no assurance as to the liquidity of any market that may develop for the notes, your ability to sell your notes or the price at which you will be able to sell your notes. Future trading prices of the notes will depend on many factors, including prevailing interest rates, our financial condition and results of operations, the then-current ratings assigned to the notes and the market for similar debt securities. Any trading market that develops would be affected by many factors independent of and in addition to the foregoing, including:

- the time remaining to the maturity of the notes;
- the outstanding amount of the notes;
- the terms related to optional redemption of the notes; and
- the level, direction and volatility of market interest rates generally.

**Table of Contents**

**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

In this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, statements that are not reported financial results or other historical information are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. 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 and/or sales. In particular, these include statements relating to future actions; prospective changes in raw material costs, product pricing or product demand; future performance; results of current and anticipated market conditions and market strategies; sales efforts; expenses; the outcome of contingencies such as legal proceedings; and financial results. Factors that could cause actual results to differ materially include, but are not limited to:

the effect on foreign operations of currency fluctuations, tariffs and other political, economic and regulatory risks;

changes in polymer consumption growth rates where we conduct business;

changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online in the polyvinyl chloride, chlor alkali, vinyl chloride monomer or other industries in which we participate;

fluctuations in raw material prices, quality and supply and in energy prices and supply;

production outages or material costs associated with scheduled or unscheduled maintenance programs;

unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters, including any developments that would require any increase in our costs and/or reserves for such contingencies;

an inability to achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives related to working capital reductions, cost reductions and employee productivity goals and our new global organization structure;

an inability to raise or sustain prices for products or services;

an inability to maintain appropriate relations with unions and employees;

the speed and extent of an economic recovery, including the recovery of the housing and chlor-alkali markets;

the financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability;

disruptions, uncertainty or volatility in the credit markets that may limit our access to capital;

other factors affecting our business beyond our control, including, without limitation, changes in the general economy, changes in interest rates and changes in the rate of inflation; and

the risk factors referred to or described in the Risk Factors section of this prospectus supplement.

S-21

---

**Table of Contents**

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

S-22

---

**Table of Contents****USE OF PROCEEDS**

We estimate that the net proceeds from this offering will be approximately \$      million, after deducting underwriting discounts and our estimated expenses related to this offering.

Concurrently with this offering, we are conducting an offer to purchase any and all of our 2012 senior notes. As of September 10, 2010, \$280.0 million aggregate principal amount of our 2012 senior notes were outstanding. The tender offer is not conditioned upon any minimum amount of notes being tendered. The tender offer is conditioned upon the completion of this offering, as well as other conditions.

We intend to use the net proceeds of this offering to fund the repurchase of our 2012 senior notes in the tender offer, including the payment of accrued interest and any applicable tender premiums. We intend to use any remaining net proceeds of this offering for general corporate purposes, including, without limitation, to repay debt and to contribute to our pension plan. Pending final use, we may invest the net proceeds from this offering in short-term, investment grade, interest-bearing securities.

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of consolidated earnings to fixed charges for the periods presented:

	<b>Year Ended December 31,</b>					<b>Six Months Ended June 30,</b>
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Ratio of earnings to fixed charges	1.9x	2.2x	(1)	(1)	1.8x	4.4x

(1) Earnings for 2007 and 2008 were insufficient to cover fixed charges by \$12.5 million and \$173.8 million, respectively. Accordingly, no such ratio is presented for such periods.

For purposes of computing the ratio of earnings to fixed charges, earnings consist of income (loss) before income taxes and discontinued operations and exclude income (loss) from equity affiliates and minority interest and capitalized interest, but include dividends received from equity affiliates, fixed charges and amortization of previously capitalized interest. Fixed charges consist of interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness, a portion of rental expense representing an interest factor and interest expense relating to guaranteed debt of our equity affiliates.

**Table of Contents****CAPITALIZATION**

The following table sets forth our unaudited cash and cash equivalents and consolidated capitalization as of June 30, 2010:

on an actual basis; and

on an as adjusted basis to give effect to (1) the issuance of \$320 million of notes in this offering and the application of estimated net proceeds therefrom as described under *Use of Proceeds* (assuming that all of our 2012 senior notes are tendered and purchased in the tender offer) and (2) the repayment of \$40 million of borrowings under our credit facility on July 7, 2010 with cash on hand.

The tender offer for our 2012 senior notes is conditioned upon the completion of this offering, as well as other conditions. We cannot assure you that we will complete this offering or the tender offer.

You should read this table in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations* and our consolidated financial statements, the related notes and other financial information contained in our Current Report on Form 8-K filed with the SEC on September 10, 2010 and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, each of which is incorporated into this prospectus supplement and the accompanying prospectus.

	<b>As of June 30, 2010</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(dollars in millions)</b>	
Cash and cash equivalents	\$241.1	\$
<b>Debt (1):</b>		
Short-term debt	\$0.4	\$0.4
6.58% medium-term notes due 2011	19.8	19.8
Credit facility borrowings	40.0	
8.875% senior notes due 2012	279.6	
7.500% debentures due 2015	50.0	50.0
Senior notes offered hereby		320.0
	389.8	390.2
Shareholders' equity (2)	407.5	407.5
Total capitalization	\$797.3	\$797.7

(1) Does not include the guarantee of \$48.8 million of SunBelt's notes due 2017.

(2)

Does not include the impact of charges related to the tender premiums and deferred financing charges in connection with the repurchases of our outstanding 2012 senior notes pursuant to the tender offer.

S-24

---



**Table of Contents****DESCRIPTION OF OTHER DEBT****Guarantee and Agreement**

We entered into a definitive guarantee and agreement with Citicorp USA, Inc., KeyBank National Association and National City Bank on June 6, 2006. Under this guarantee and agreement, we guarantee the treasury management and banking services provided to us and our subsidiaries, such as subsidiary borrowings, interest rate swaps, foreign currency forwards, letters of credit, credit card programs and bank overdrafts. This guarantee is secured by our inventories located in the United States.

**Other Debt**

As of June 30, 2010, we had an aggregate of \$350.0 million of debt securities outstanding. The specific amounts, maturity and interest rates of these debt securities are set forth in the following table.

	<b>Principal Amount (dollars in millions)</b>	<b>Carrying Amount (1)</b>	<b>Maturity</b>
7.500% debentures due 2015	\$50.0	\$50.0	December 15, 2015
8.875% senior notes due 2012	280.0	279.6	May 1, 2012
6.58% medium-term notes due 2011	20.0	19.8	February 23, 2011
Total	\$350.0	\$349.4	

(1) Includes the net effect of interest swap agreements and original issue discount.

*7.500% Debentures*

The 7.500% debentures were issued under an indenture, dated as of December 1, 1995. These senior debt securities are our direct, unsecured obligations and are not guaranteed by any of our subsidiaries. The indenture does not directly limit the amount of other debt that may be incurred by us or our subsidiaries. Subject to several enumerated exceptions, the indenture prohibits us and our subsidiaries from securing any debt with any property or assets without providing that the 7.500% debentures shall be secured equally and ratably with the secured debt for so long as the secured debt remains secured except to the extent the amount of the secured debt, along with the value of permitted sale and lease-back transactions, does not exceed 5% of our consolidated tangible assets, as defined in the indenture. The indenture also contains prohibitions against sale and lease-back transactions.

*8.875% Senior Notes due 2012*

The 2012 senior notes are issued under our indenture, dated as of April 23, 2002, as supplemented by a supplemental indenture, dated April 10, 2008. These senior debt securities are our direct, unsecured obligations and are not guaranteed by any of our subsidiaries. The indenture does not directly limit the amount of other debt that may be incurred by us or our subsidiaries. Subject to several enumerated exceptions, the indenture prohibits us and our subsidiaries from securing any debt with any property or assets without providing that the 2012 senior notes shall be

secured equally and ratably with the secured debt for so long as the secured debt remains secured except to the extent the amount of the secured debt, along with the value of permitted sale and lease-back transactions, does not exceed 10% of our consolidated tangible assets, as defined in the indenture. The indenture also contains prohibitions against sale and lease-back transactions. We have launched an offer to purchase all such notes and we intend to purchase all notes tendered in such offer.

S-25

---

**Table of Contents**

*6.58% Medium-Term Notes due 2011*

The 2011 medium-term notes are issued under our indenture, dated as of November 9, 1996. These senior debt securities are our direct, unsecured obligations and are not guaranteed by any of our subsidiaries. The indenture does not directly limit the amount of other debt that may be incurred by us or our subsidiaries. Subject to several enumerated exceptions, the indenture prohibits us and our subsidiaries from securing any obligation with any principal property or shares of capital stock or debt of certain of our subsidiaries without providing that the 2011 medium-term notes shall be contemporaneously secured equally and ratably except to the extent the amount of the secured obligation, along with the value of permitted sale and lease-back transactions, does not exceed 10% of our total consolidated stockholders' equity, as defined in the indenture. The indenture also contains prohibitions against sale and lease-back transactions.

**Receivables Sale Facility**

We are a party to a second amended and restated receivables purchase agreement, dated as of June 26, 2007, with PolyOne Funding Corporation, as seller, Citicorp USA, Inc., as agent, National City Business Credit, Inc., as syndication agent, and the banks and other financial institutions party thereto, as initial purchaser, which governs our receivables sale facility. The receivables sale facility allows us to sell accounts receivable and realize proceeds of up to \$175.0 million. However, the maximum amount of proceeds that we may receive is limited to 85% of the amount of eligible domestic accounts receivable. The purchasers will purchase an undivided interest in the designated pool of accounts receivable. We retain servicing responsibilities on these accounts receivable. The receivables sale facility makes available up to \$40.0 million for the issuance of standby letters of credit.

On July 13, 2007, we entered into a Canadian Receivables Purchase Agreement with PolyOne Funding Canada Corporation, or PFCC, as seller, Citicorp, as administrative agent, National City Business Credit, Inc., as syndication agent, and the banks and other financial institutions party thereto, as initial purchaser. Under the agreement, from time to time, PolyOne Canada Inc. will sell its Canadian receivables to PFCC, which will then sell interests in the receivables to the banks and other financial institutions party to the Canadian Receivables Purchase Agreement on the terms and subject to the conditions of the agreement. The Canadian Receivables Purchase Agreement provides up to \$25.0 million in funding, based on availability of eligible trade accounts receivable and other customary factors. The Canadian Receivables Purchase Agreement contains the same covenants and events of default as our receivables sale facility.

*Yield and Fees*

The purchasers under our receivables sale facility are entitled to receive a yield, at our option, at either an alternate base rate or a LIBOR rate, in each case plus an applicable margin. The alternate base rate is a fluctuating rate equal to the highest of (1) Citicorp's base rate, (2) a three-month certificate of deposit rate plus 0.5% and (3) the Federal Funds Effective Rate plus 0.5%. The applicable margin is based on the average monthly excess availability under the facility and will vary from 0.250% to 0.750% for an alternate base rate yield and from 1.250% to 1.750% for a LIBOR rate yield.

Our receivables sale facility requires us to pay the purchasers a monthly unused commitment fee based on the average monthly excess availability under the facility. The rate of this fee varies from 0.250% to 0.375% based on the average monthly excess availability under the facility.

We are also required to pay the purchasers and Citicorp a letter of credit fee based on the average monthly excess availability under the facility. The rate of the fee payable to the purchasers varies and is based on the applicable letter

of credit margin and the average daily letter of credit undrawn amounts under the facility.

S-26

---

**Table of Contents**

*Covenants*

Our receivables sale facility contains affirmative and negative covenants customary for such financings, including, but not limited to, covenants limiting our ability to:

- extend, amend or modify the terms of accounts receivable;
- change our credit and collection policy in respect of accounts receivable;
- change payment instructions in respect of accounts receivable;
- sell assets;
- pay dividends on or purchase or redeem our capital stock;
- prepay, redeem and repurchase debt;
- make capital expenditures; and
- enter into certain types of transactions with affiliates.

Our receivables sale facility also requires us to maintain a minimum fixed charge coverage ratio (defined as Adjusted EBITDA less capital expenditures, divided by interest expense and scheduled debt repayments for the next four quarters) of at least 1 to 1 when average excess availability under the facility is \$40.0 million or less.

*Default*

Our receivables sale facility contains events of default customary for such financings, including, but not limited to:

- nonpayment of principal, interest or fees;
- violations of other covenants;
- inaccuracies of representations and warranties;
- cross-defaults to other debt;
- events of bankruptcy and insolvency;
- failure to maintain the accounts receivable pool at a specified level;
- the occurrence of a change of control; and
- the occurrence of a material adverse change.

**SunBelt Guarantee**

We guarantee \$48.8 million aggregate principal amount of SunBelt's senior secured notes due 2017, which were issued by SunBelt in connection with the construction of a chlor-alkali facility in McIntosh, Alabama. The guarantee subjects us to substantially the same covenants as the indentures governing our other notes.

S-27

---

**Table of Contents**

**DESCRIPTION OF NOTES**

*The following description of the particular terms of the debt securities offered hereby (referred to in this Description of Notes as the Notes ) supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the debt securities set forth under the caption Description of Debt Securities in the accompanying prospectus, to which reference is hereby made.*

PolyOne Corporation (the Company ) will issue the Notes under an indenture, as supplemented by a supplemental indenture, which supplemental indenture will restate in the entirety the terms of the indenture as supplemented by the supplemental indenture, each dated as of the closing date of this offering (together, the Indenture ), between itself and Wells Fargo Bank, N.A., as Trustee (the Trustee ). For purposes of this section of this prospectus supplement, references to the Company, we, us, our or similar terms shall mean PolyOne Corporation, without its subsidiaries.

The statements under this caption relating to the Indenture and the Notes are summaries and are not a complete description thereof, and where reference is made to particular provisions, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Indenture and the Notes and those terms made part of the Indenture by the Trust Indenture Act of 1939, as amended (the Trust Indenture Act ). The definitions of certain capitalized terms used in the following summary are set forth below under Certain Definitions. For more information on how you can obtain a copy of the Indenture, see Where You Can Find More Information and Information We Incorporate By Reference.

**General**

The initial offering of the Notes will be for \$320,000,000 in aggregate principal amount of % senior notes due 2020. The Company may issue additional notes (the Additional Notes ) under the Indenture, subject to the limitations described below under the covenant Limitation on Incurrence of Debt. The Notes and any Additional Notes subsequently issued under the Indenture would be treated as a single class for all purposes of the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

**Principal, Maturity and Interest**

Interest on the Notes will be payable at % per annum. Interest on the Notes will be payable semi-annually in cash in arrears on and , commencing on , 2011. The Company will make each interest payment to the Holders of record of the Notes on the immediately preceding and . Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of and premium, if any, and interest on the Notes will be payable, and the Notes will be exchangeable and transferable, at the office or agency of the Company maintained for such purposes, which, initially, will be the corporate trust operations office of the Trustee located at 608 Second Avenue South, N9303-121, Minneapolis, Minnesota 55479, Attention: Corporate Trust Operations; *provided, however*, that payment of interest may be made at the option of the Company by check mailed to the Person entitled thereto as shown on the security register. The Notes will be issued only in fully registered form without coupons, in denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof. No service charge will be made for any registration of transfer, exchange or redemption of Notes, except in certain circumstances for any tax or other governmental charge that may be imposed in connection therewith.





## **Table of Contents**

### **Ranking**

#### *Ranking of the Notes*

The Notes will be general unsecured obligations of the Company. As a result, the Notes will rank:

equally in right of payment with all existing and future senior Debt of the Company;

senior in right of payment to all existing and future Debt of the Company that is by its terms expressly subordinated to the Notes;

effectively subordinated to secured Debt of the Company to the extent of the assets securing such Debt; and

structurally junior to any Debt and other liabilities of any non-Guarantor Subsidiaries.

As of June 30, 2010, after giving effect to this offering and the use of the estimated net proceeds therefrom, the Company would have had total debt of approximately \$ million, approximately \$ million of senior debt outstanding (excluding the \$48.8 million of notes due 2017 Guaranteed under the SunBelt Guarantee), none of which would have been secured debt.

None of the Company's Subsidiaries will initially Guarantee the Notes and will in the future Guarantee the Notes only in those limited circumstances described under Note Guarantees. Claims of creditors of non-Guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding Debt and Guarantees issued by those Subsidiaries, and claims of preferred stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Company, including Holders of the Notes. The non-Guarantor Subsidiaries generated approximately 34% of our total revenues for the 12-month period ended June 30, 2010. In addition, these non-Guarantor Subsidiaries (excluding PolyOne Funding Corporation) held approximately 43% of our total assets as of June 30, 2010. As of June 30, 2010, after giving effect to this offering and the use of estimated net proceeds therefrom, the Company's Subsidiaries would have had total Debt and other liabilities of approximately \$179.2 million.

As of the Issue Date, all of the Company's Subsidiaries will be Restricted Subsidiaries. However, under the circumstances described below under the caption Certain Covenants Limitation on Creation of Unrestricted Subsidiaries, the Company will be permitted to designate certain of its Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture. Further, Unrestricted Subsidiaries will not Guarantee the Notes.

### **Sinking Fund**

There are no mandatory sinking fund payment obligations with respect to the Notes.

### **Paying Agent and Registrar for the Notes**

The Trustee will initially act as paying agent and registrar. The Company may change the paying agent or registrar without prior notice to the Holders of the Notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

**Transfer and Exchange**

A Holder may transfer or exchange Notes in accordance with the provisions of the Indenture. The registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and

S-29

---

**Table of Contents**

transfer documents in connection with a transfer of Notes. Holders will be required to pay all taxes due on transfer. The Company will not be required to transfer or exchange any Note selected for redemption. Also, the Company will not be required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

**Optional Redemption**

The Notes are subject to redemption, at the option of the Company, in whole or in part, at any time and from time to time on or after \_\_\_\_\_, 2015 upon not less than 30 nor more than 60 days' notice at the following Redemption Prices (expressed as percentages of the principal amount to be redeemed) set forth below, *plus* accrued and unpaid interest, if any, to, but not including, the redemption date (subject to the right of Holders of record on the relevant regular record date to receive interest due on an interest payment date that is on or prior to the redemption date), if redeemed during the 12-month period beginning on \_\_\_\_\_ of the years indicated below:

<b>Year</b>	<b>Redemption Price</b>
2015	%
2016	%
2017	%
2018 and thereafter	100.000%

In addition to the optional redemption provisions of the Notes in accordance with the provisions of the preceding paragraph, prior to \_\_\_\_\_, 2013, the Company on one or more occasions may, with the net proceeds of one or more Qualified Equity Offerings, redeem up to 35% of the aggregate principal amount of the outstanding Notes (including Additional Notes) at a Redemption Price equal to \_\_\_\_\_% of the principal amount thereof, *plus* accrued and unpaid interest thereon, if any, to the date of redemption (subject to the right of Holders of record on the relevant regular record date to receive interest due on an interest payment date that is on or prior to the redemption date); *provided* that at least 65% of the principal amount of Notes then outstanding (including Additional Notes) remains outstanding immediately after the occurrence of any such redemption (excluding Notes held by the Company or its Subsidiaries) and that any such redemption occurs within 90 days following the closing of any such Qualified Equity Offering.

At any time prior to \_\_\_\_\_, 2015, the Company may redeem all or part of the Notes at a redemption price equal to the sum of (i) 100% of the principal amount thereof, *plus* (ii) the Applicable Premium as of the date of redemption, *plus* (iii) accrued and unpaid interest, if any, to the date of redemption (subject to the rights of Holders of record on the relevant regular record date to receive interest due on an interest payment date that is on or prior to the redemption date).

If less than all of the Notes are to be redeemed, the Trustee will select the Notes or portions thereof to be redeemed by lot, pro rata or by any other method the Trustee shall deem fair and appropriate (subject to The Depository Trust Company, Euroclear and/or Clearstream procedures as applicable).

No Notes of \$2,000 or less shall be redeemed in part. Notices of redemption shall be mailed by first class mail (and, to the extent permitted by applicable procedures or regulations, electronically) at least 30 days before the redemption date to each Holder of Notes to be redeemed at its registered address. If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.



## **Table of Contents**

The Company may at any time, and from time to time, purchase Notes in the open market or otherwise, subject to compliance with applicable securities laws.

### **Change of Control**

Upon the occurrence of a Change of Control or, at the Company's option, prior to the consummation of a Change of Control but after it is publicly announced, unless the Company has exercised its right to redeem all of the Notes as described under Optional Redemption, the Company will make an Offer to Purchase to the Holders of all of the outstanding Notes (with a copy to the Trustee) at a Purchase Price in cash equal to 101% of the principal amount tendered, together with accrued interest, if any, to but not including the Purchase Date. For purposes of the foregoing, an Offer to Purchase shall be deemed to have been made if (i) within 60 days following the date of the consummation of a transaction or series of transactions that constitutes a Change of Control, the Company commences an Offer to Purchase for all outstanding Notes at the Purchase Price (*provided* that the running of such 60-day period shall be suspended, for up to a maximum of 30 days, during any period when the commencement of such Offer to Purchase is delayed or suspended by reason of any court's or governmental authority's review of or ruling on any materials being employed by the Company to effect such Offer to Purchase, so long as the Company has used and continues to use its commercially reasonable efforts to make and conclude such Offer to Purchase promptly) and (ii) all Notes properly tendered pursuant to the Offer to Purchase are purchased on the terms of such Offer to Purchase.

The phrase "all or substantially all," as used in the definition of Change of Control, has not been interpreted under New York law (which is the governing law of the Indenture) to represent a specific quantitative test. As a consequence, in the event the Holders of the Notes elected to exercise their rights under the Indenture and the Company elects to contest such election, there could be no assurance how a court interpreting New York law would interpret such phrase. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder of Notes may require the Company to make an Offer to Purchase the Notes as described above. In addition, Holders of Notes may not be entitled to require the Company to repurchase their Notes in certain circumstances involving a significant change in the composition of the Board of Directors of the Company, including in connection with a proxy contest, where the Company's Board of Directors does not endorse a dissident slate of directors but approves them for purposes of the Indenture.

The provisions of the Indenture may not afford Holders protection in the event of a highly leveraged transaction, reorganization, restructuring, merger or similar transaction affecting the Company that may adversely affect Holders, if such transaction is not the type of transaction included within the definition of Change of Control. A transaction involving the management of the Company or its Affiliates, or a transaction involving a recapitalization of the Company, will result in a Change of Control only if it is the type of transaction specified in such definition. The definition of Change of Control may be amended or modified prior to a Change of Control with the written consent of a majority in aggregate principal amount of outstanding Notes. See Amendment, Supplement and Waiver.

The Company will be required to comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws or regulations in connection with any repurchase of the Notes as described above. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will be deemed to have complied with its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Company will not be required to make an Offer to Purchase upon a Change of Control if (i) a third party makes such Offer to Purchase contemporaneously with or upon a Change of Control in the manner, at the times and otherwise in compliance with the requirements of the Indenture and purchases all Notes validly tendered and not withdrawn under such Offer to Purchase or (ii) a notice of redemption has been given pursuant to the Indenture as

described above under the caption Optional Redemption.

S-31

---

**Table of Contents**

The Company's ability to pay cash to the Holders of Notes upon a Change of Control may be limited by the Company's then existing financial resources. Further, the agreements governing the Company's other Debt contain, and future agreements of the Company may contain, prohibitions of certain events, including events that would constitute a Change of Control. If the exercise by the Holders of Notes of their right to require the Company to repurchase the Notes upon a Change of Control occurred at the same time as a change of control event under one or more of the Company's other debt agreements, the Company's ability to pay cash to the Holders of Notes pursuant to an Offer to Purchase may be further limited by the Company's then existing financial resources. See Risk Factors Risks Relating to Our Debt, Including the Notes.

Even if sufficient funds were otherwise available, the terms of Credit Facilities (and other Debt) may prohibit the Company's prepayment of Notes before their scheduled maturity. Consequently, if the Company is not able to prepay the Credit Facilities or other Debt containing such restrictions or obtain requisite consents from the lenders under the Credit Facilities or the holders of such other Debt, the Company will be unable to fulfill its repurchase obligations upon a Change of Control, resulting in a Default under the Indenture.

In addition, an Offer to Purchase may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of launching the Offer to Purchase.

**Certain Covenants**

*Changes in Covenants When Notes Rated Investment Grade*

Set forth below are certain covenants to be contained in the Indenture. If on any date following the date of the Indenture:

- (a) the Notes are rated Baa3 or higher by Moody's and BBB- or higher by S&P (or, if either such entity ceases to rate the Notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act selected by the Company as a replacement agency); and
- (b) no Default or Event of Default shall have occurred and be continuing;

then, beginning on that date and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this prospectus supplement will be suspended:

Limitation on Incurrence of Debt ;

Limitation on Restricted Payments ;

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries ;

Limitation on Asset Sales ;

Limitation on Transactions with Affiliates ;

Limitation on Sale and Leaseback Transactions ;

Limitation on Creation of Unrestricted Subsidiaries ;

S-32

---



**Table of Contents**

clause (iii) of the first paragraph of Consolidation, Merger, Conveyance, Transfer or Lease ; and  
Limitation on Business Activities.

During any period that the foregoing covenants have been suspended, the Company's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries unless such designation would have been permitted pursuant to the covenant under the caption Limitation on Creation of Unrestricted Subsidiaries if a suspension period had not been in effect at such time.

Upon the occurrence of a covenant suspension event as described above, the amount of Net Cash Proceeds shall be set at zero.

Notwithstanding the foregoing, if the rating assigned by either such rating agency should subsequently decline and the Notes are not rated Baa3 or higher by Moody's and BBB- or higher by S&P (or, if either such entity ceases to rate the Notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act, selected by the Company as a replacement agency), the foregoing covenants will be reinstated as of and from the date of such rating decline. Calculations under the reinstated Restricted Payments covenant will be made as if the Restricted Payments covenant had been in effect since the date of the Indenture, except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. Debt Incurred during any suspension period will be classified initially to have been Incurred pursuant to clause (ii) of the definition of Permitted Debt. Notwithstanding that the suspended covenants may be reinstated, no Default will be deemed to have occurred as a result of a failure to comply with such suspended covenants during any suspension period (or upon termination of any covenant suspension period or after that time based solely on events that occurred during the suspension period). There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

*Limitation on Incurrence of Debt*

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Debt (including Acquired Debt); *provided* that the Company and any of its Restricted Subsidiaries may Incur Debt (including Acquired Debt) if, immediately after giving effect to the Incurrence of such Debt and the receipt and application of the proceeds therefrom, (a) the Consolidated Fixed Charge Coverage Ratio of the Company and its Restricted Subsidiaries, determined on a *pro forma* basis as if any such Debt (including any other Debt, other than Debt Incurred under the revolving portion of a Credit Facility, being Incurred contemporaneously), and any other Debt Incurred since the beginning of the Four Quarter Period (as defined in the definition of Consolidated Fixed Charge Coverage Ratio ) had been Incurred and the proceeds thereof had been applied at the beginning of the Four Quarter Period, and any other Debt repaid (other than Debt Incurred under the revolving portion of a Credit Facility) since the beginning of the Four Quarter Period had been repaid at the beginning of the Four Quarter Period, would be greater than 2.00 to 1.00 and (b) no Default or Event of Default shall have occurred and be continuing at the time or as a consequence of the Incurrence of such Debt.

If, during the Four Quarter Period or subsequent thereto and prior to the date of determination, the Company or any of its Restricted Subsidiaries, or any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any of its Restricted Subsidiaries, shall have engaged in any Asset Sale or Asset Acquisition, Investments, mergers, consolidations, discontinued operations (as determined in accordance with GAAP) or shall have designated any Restricted Subsidiary to be an Unrestricted Subsidiary or any Unrestricted Subsidiary to be a Restricted Subsidiary, Consolidated Cash Flow Available for Fixed Charges and Consolidated Interest Expense for the

Four Quarter Period shall be calculated on a *pro forma* basis giving effect to such Asset Sale or Asset Acquisition, Investments, mergers, consolidations, discontinued operations or designation, as the case may be, and the application of any proceeds therefrom as if such Asset

S-33

---

**Table of Contents**

Sale or Asset Acquisition, Investments, mergers, consolidations, discontinued operations or designation had occurred on the first day of the Four Quarter Period.

If the Debt which is the subject of a determination under this provision is Acquired Debt, or Debt Incurred in connection with the simultaneous acquisition of any Person, business, property or assets, or Debt of an Unrestricted Subsidiary being designated as a Restricted Subsidiary, then such ratio shall be determined by giving effect (on a *pro forma* basis, as if the transaction had occurred at the beginning of the Four Quarter Period) to (x) the Incurrence of such Acquired Debt or such other Debt by the Company or any of its Restricted Subsidiaries and (y) the inclusion, in Consolidated Cash Flow Available for Fixed Charges, of the Consolidated Cash Flow Available for Fixed Charges of the acquired Person, business, property or assets or redesignated Subsidiary.

Notwithstanding the first paragraph above, the Company and its Restricted Subsidiaries may Incur Permitted Debt.

For purposes of determining any particular amount of Debt under this Limitation on Incurrence of Debt covenant, (x) Debt Incurred under the Credit Agreement and outstanding on the Issue Date shall at all times be treated as Incurred pursuant to clause (i) of the definition of Permitted Debt and (y) Guarantees, Liens or obligations with respect to letters of credit supporting Debt otherwise included in the determination of such particular amount shall not be included. For purposes of determining any particular amount of Debt under this Limitation on Incurrence of Debt covenant, if obligations in respect of letters of credit are Incurred pursuant to the Credit Facilities and are being treated as Incurred pursuant to clause (i) of the definition of Permitted Debt and the letters of credit relate to other Debt, then such other Debt shall not be deemed to have been Incurred. For purposes of determining compliance with this

Limitation on Incurrence of Debt covenant, in the event that an item of Debt meets the criteria of more than one of the types of Debt described above, including categories of Permitted Debt and under part (a) in the first paragraph of this

Limitation on Incurrence of Debt covenant, the Company, in its sole discretion, may classify and divide, and from time to time may reclassify and redivide, all or any portion of such item of Debt. For purposes of determining compliance of any non-U.S. dollar-denominated Debt with this covenant, the amount outstanding under U.S. dollar-equivalent principal amount of Debt denominated in a foreign currency shall at all times be calculated based on the relevant currency exchange rate in effect on the date such Debt was Incurred, in the case of the term Debt, or first committed, in the cases of the revolving credit Debt; *provided, however*, that if such Debt is Incurred to refinance other Debt denominated in the same or different currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Debt does not exceed the principal amount of such Debt being refinanced.

The Company and any Guarantor will not Incur any Debt that pursuant to its terms is subordinate or junior in right of payment to any Debt unless such Debt is subordinated in right of payment to the Notes and the applicable Note Guarantee to the same extent; *provided* that Debt will not be considered subordinate or junior in right of payment to any other Debt solely by virtue of being unsecured or secured to a greater or lesser extent or with greater or lower priority or by virtue of structural subordination.

*Limitation on Restricted Payments*

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, make any Restricted Payment unless, at the time of and after giving effect to the proposed Restricted Payment:

- (a) no Default in the payment in respect of principal or interest or Event of Default shall have occurred and be continuing or will occur as a consequence thereof;



**Table of Contents**

- (b) after giving effect to such Restricted Payment on a *pro forma* basis, the Company would be permitted to Incur at least \$1.00 of additional Debt (other than Permitted Debt) pursuant to the provisions described in the first paragraph under the Limitation on Incurrence of Debt covenant; and
- (c) after giving effect to such Restricted Payment on a *pro forma* basis, the aggregate amount expended or declared for all Restricted Payments made on or after the Issue Date (excluding Restricted Payments permitted by clauses (ii) through (ix) of the next succeeding paragraph), shall not exceed the sum (without duplication) of
  - (1) 50% of the Consolidated Net Income (or, if Consolidated Net Income shall be a deficit, minus 100% of such deficit) of the Company accrued on a cumulative basis during the period (taken as one accounting period) from January 1, 2010 and ending on the last day of the fiscal quarter immediately preceding the date of such proposed Restricted Payment, *plus*
  - (2) 100% of the aggregate net proceeds (including the Fair Market Value of property other than cash) received by the Company subsequent to the Issue Date either (i) as a contribution to its common equity capital or (ii) from the issuance and sale (other than to a Subsidiary) of its Qualified Capital Interests, including Qualified Capital Interests issued upon the conversion or exchange of Debt or Redeemable Capital Interests of the Company, and from the exercise of options, warrants or other rights to purchase such Qualified Capital Interests (other than, in each case, Capital Interests or Debt sold to a Subsidiary of the Company), *plus*
  - (3) to the extent not otherwise included in the calculation of Consolidated Net Income of the Company for such period, 100% of the net reduction in Investments (other than Permitted Investments and Investments made pursuant to clause (x) of the next paragraph of this covenant) in any Person other than the Company or a Restricted Subsidiary resulting from dividends, repayment of loans or advances or other transfers of assets, in each case to the Company or any Restricted Subsidiary, *plus*
  - (4) to the extent that any Investment (other than Permitted Investments or Investments in Unrestricted Subsidiaries) that was made on and after the Issue Date is sold for cash or otherwise disposed of, liquidated or repaid for cash or other assets, the lesser of (i) the initial amount of such Investment, or (ii) to the extent not otherwise included in the calculation of Consolidated Net Income of the Company for such period, the net cash return of capital or net Fair Market Value of return of capital with respect to such Investment, less the cost of any such disposition or liquidation, *plus*
  - (5) to the extent that any Unrestricted Subsidiary of the Company designated as such on and after the Issue Date is redesignated as a Restricted Subsidiary or merged or consolidated with or into the Company or a Restricted Subsidiary, the lesser of (i) the Fair Market Value of the Company's Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary, *plus*
  - (6) 100% of any dividends or interest payments received by the Company or a Restricted Subsidiary on and after the Issue Date from an Unrestricted Subsidiary or other Investment (other than a Permitted Investment), to the extent such dividends or interest payments were not otherwise included in the calculation of Consolidated Net Income of the Company for such period.

**Table of Contents**

Notwithstanding whether the foregoing provisions would prohibit the Company and its Restricted Subsidiaries from making a Restricted Payment, the Company and its Restricted Subsidiaries may make the following Restricted Payments:

- (i) the payment of any dividend on Capital Interests in the Company or a Restricted Subsidiary within 60 days after declaration thereof if at the declaration date such payment was permitted by the foregoing provisions of this covenant;
- (ii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of any Qualified Capital Interests of the Company by conversion into, or by or in exchange for, Qualified Capital Interests, or out of net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Company) of other Qualified Capital Interests of the Company; *provided* that the amount of any net proceeds that are utilized for such Restricted Payment will be excluded from clause (c)(2) of the preceding paragraph;
- (iii) the retirement of any shares of Redeemable Capital Interests by conversion into, or by exchange for, shares of Redeemable Capital Interests, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of other shares of Redeemable Capital Interests;
- (iv) the redemption, defeasance, repurchase or acquisition or retirement for value of any Debt of the Company or a Guarantor that is subordinate in right of payment to the Notes or the applicable Note Guarantee out of the net cash proceeds of a substantially concurrent issue and sale (other than to a Subsidiary of the Company) of (x) new subordinated Debt of the Company or such Guarantor, as the case may be, Incurred in accordance with the Indenture or (y) of Qualified Capital Interests of the Company; *provided* that the amount of any net proceeds that are utilized for such Restricted Payment will be excluded from clause (c)(2) of the preceding paragraph;
- (v) the purchase, redemption, retirement or other acquisition for value of Capital Interests in the Company or any direct or indirect parent of the Company (or any payments to a direct or indirect parent company of the Company for the purposes of permitting any such repurchase) held by employees or former employees of the Company or any Restricted Subsidiary (or their estates or beneficiaries under their estates) upon death, disability, retirement or termination of employment or alteration of employment status or pursuant to the terms of any agreement under which such Capital Interests were issued; *provided* that the aggregate cash consideration paid for such purchase, redemption, retirement or other acquisition of such Capital Interests does not exceed \$5.0 million in any calendar year; *provided, further*, that any unused amounts in any calendar year may be carried forward to one or more future periods subject to a maximum aggregate amount of repurchases made pursuant to this clause (v) not to exceed \$10.0 million in any calendar year; *provided, however*, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds received by the Company or any of its Restricted Subsidiaries from the sale of Qualified Capital Interests of the Company or any direct or indirect parent company of the Company (to the extent contributed to the Company) to employees of the Company and its Restricted Subsidiaries that occurs after the Issue Date; *provided, however*, that the amount of such cash proceeds utilized for any such repurchase, retirement, other acquisition or dividend will not increase the amount available for Restricted Payments under clause (c) of the first paragraph of this covenant; *plus* (B) the cash proceeds of key man life insurance policies received by the Company and its Restricted Subsidiaries after the Issue Date (*provided, however*, that the Company may elect to apply all or any portion of the aggregate increase contemplated by the proviso of this clause (v) in any calendar year and, to the extent any payment described under this

clause (v) is made by delivery of Debt and not in cash, such payment shall be deemed to occur only when, and to the extent, the obligor on such Debt makes payments with respect to such Debt);

S-36

---

**Table of Contents**

- (vi) the repurchase of Capital Interests deemed to occur (A) upon the exercise of stock options, warrants or similar rights to the extent such Capital Interests represent a portion of the exercise price of those stock options or warrants, (B) as a result of common shares utilized to satisfy tax withholding obligations upon exercise of stock options or vesting of other equity awards or (C) upon the cancellation of stock options, warrants or other equity awards;
- (vii) cash payments in lieu of issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for the Capital Interests of the Company or a Restricted Subsidiary;
- (viii) the declaration and payment of dividends to holders of any class or series of Redeemable Capital Interests of the Company or any Restricted Subsidiary issued or Incurred in compliance with the covenant described above under Limitation on Incurrence of Debt to the extent such dividends are included in the definition of Consolidated Fixed Charges;
- (ix) purchase or acquire shares of the Company's Capital Interests in open-market purchases for matching contributions to any employees of the Company or its Subsidiaries pursuant to any employee stock purchase plan, deferred compensation plan or other benefit plan;
- (x) to the extent no Default in any payment in respect of principal or interest under the Notes or Event of Default has occurred and is continuing or will occur as a consequence thereof, upon the occurrence of a Change of Control or an Asset Sale, the defeasance, redemption, repurchase or other acquisition of any subordinated Debt pursuant to provisions substantially similar to those described under Change of Control and Limitation on Asset Sales at a Purchase Price not greater than 101% of the principal amount thereof (in the case of a Change of Control) or at a percentage of the principal amount thereof not higher than the principal amount applicable to the Notes (in the case of an Asset Sale), *plus* any accrued and unpaid interest thereon; *provided* that prior to or contemporaneously with such defeasance, redemption, repurchase or other acquisition, the Company has made an Offer to Purchase with respect to the Notes and has repurchased all Notes validly tendered for payment and not withdrawn in connection therewith;
- (xi) to the extent no Default in any payment in respect of principal or interest under the Notes or the Credit Agreement or Event of Default has occurred and is continuing or will occur as a consequence thereof, other Restricted Payments not in excess of the greater of (x) \$35.0 million and (y) 2.5% of Consolidated Total Assets (in each case to the extent not otherwise included in Consolidated Net Income net of, with respect to any Restricted Payment that constitutes an Investment in any particular Person made in reliance on this clause, the return thereon received after the Issue Date as a result of any sale for cash or Cash Equivalents, repayment, redemption, liquidating distribution or other realization for cash or Cash Equivalents, not to exceed the amount of Investments made after the Issue Date in such Person in reliance on this clause); and
- (xii) purchase, repurchase, redeem, acquire or retire for nominal value common stock or preferred stock purchase rights in each case issued in connection with any shareholder rights plan that may be adopted by the Company.

If the Company makes a Restricted Payment which, at the time of the making of such Restricted Payment, in the good faith determination of the Company, would be permitted under the requirements of the Indenture, such Restricted Payment shall be deemed to have been made in compliance with the Indenture notwithstanding any subsequent



adjustment made in good faith to the Company's financial statements affecting Consolidated Net Income.

S-37

---

**Table of Contents**

If any Person in which an Investment is made, which Investment constitutes a Restricted Payment when made, thereafter becomes a Restricted Subsidiary in accordance with the Indenture, all such Investments previously made in such Person shall no longer be counted as Restricted Payments for purposes of calculating the aggregate amount of Restricted Payments pursuant to clause (c) of the first paragraph under this Limitation on Restricted Payments covenant, in each case to the extent such Investments would otherwise be so counted.

If the Company or a Restricted Subsidiary transfers, conveys, sells, leases or otherwise disposes of an Investment in accordance with the Limitation on Asset Sales covenant, which Investment was originally included in the aggregate amount expended or declared for all Restricted Payments pursuant to clause (c) of the definition of Restricted Payments, the aggregate amount expended or declared for all Restricted Payments shall be reduced by the lesser of (i) the net cash proceeds from the transfer, conveyance, sale, lease or other disposition of such Investment or (ii) the amount of the original Investment, in each case, to the extent originally included in the aggregate amount expended or declared for all Restricted Payments pursuant to clause (c) of the definition of Restricted Payments.

For purposes of this covenant, if a particular Restricted Payment involves a non-cash payment, including a distribution of assets, then such Restricted Payment shall be deemed to be an amount equal to the cash portion of such Restricted Payment, if any, *plus* an amount equal to the Fair Market Value of the non-cash portion of such Restricted Payment.

*Limitation on Liens*

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to enter into, create, incur, assume or suffer to exist any Liens of any kind (other than Permitted Liens) (the *Initial Liens*), on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom, which Liens secure Debt, without securing the Notes and all other amounts due under the Indenture equally and ratably with (or prior to) the Debt secured by such Lien until such time as such Debt is no longer secured by such Lien; *provided* that if the Debt so secured is subordinated by its terms to the Notes or a Note Guarantee, the Lien securing such Debt will also be so subordinated by its terms to the Notes and the applicable Note Guarantee at least to the same extent. Any Lien created for the benefit of the Holders of the Notes pursuant to the foregoing sentence shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien.

*Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, cause or suffer to exist or become effective or enter into any encumbrance or restriction on the ability of any Restricted Subsidiary to (i) pay dividends or make any other distributions on its Capital Interests owned by the Company or any Restricted Subsidiary or pay any Debt or other obligation owed to the Company or any Restricted Subsidiary, (ii) make loans or advances to the Company or any Restricted Subsidiary thereof or (iii) transfer any of its property or assets to the Company or any Restricted Subsidiary.

However, the preceding restrictions will not apply to the following encumbrances or restrictions existing under or by reason of:

- (a) any encumbrance or restriction in existence on the Issue Date, including those required by the Credit Agreement or by any other agreement or documents entered into in connection with the Credit Agreement and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements, or refinancings, of any of the foregoing agreements or documents, *provided* that the amendments, modifications, restatements, renewals, increases, supplements, refundings,

replacements or refinancings, in the good faith judgment of the

S-38

---

**Table of Contents**

Company, are not materially more restrictive, taken as a whole, with respect to such dividend or other payment restrictions than those contained in these agreements on the Issue Date or refinancings thereof;

- (b) any encumbrance or restriction pursuant to an agreement relating to an acquisition of property, so long as the encumbrances or restrictions in any such agreement relate solely to the property so acquired (and are not or were not created in anticipation of or in connection with the acquisition thereof);
- (c) any encumbrance or restriction which exists with respect to a Person that becomes a Restricted Subsidiary or merges with or into a Restricted Subsidiary of the Company on or after the Issue Date, which is in existence at the time such Person becomes a Restricted Subsidiary, but not created in connection with or in anticipation of such Person becoming a Restricted Subsidiary, and which is not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person becoming a Restricted Subsidiary;
- (d) any instrument governing Debt or Capital Interests of a Person acquired by the Company or any of the Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Debt or Capital Interests was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, *provided* that, in the case of Debt, such Debt was permitted by the terms of the Indenture to be Incurred;
- (e) any encumbrance or restriction under the Indenture, the Notes and any Note Guarantees;
- (f) any encumbrance or restriction pursuant to an agreement effecting a permitted renewal, refunding, replacement, refinancing or extension of Debt issued pursuant to an agreement containing any encumbrance or restriction referred to in the foregoing clauses (a) through (e), so long as the encumbrances and restrictions contained in any such renewal, refunding, replacement, refinancing or extension agreement are no less favorable in any material respect to the Holders than the encumbrances and restrictions contained in the agreements governing the Debt being renewed, refunded, replaced, refinanced or extended in the good faith judgment of the Company;
- (g) customary provisions restricting subletting or assignment of any lease, contract, or license of the Company or any Restricted Subsidiary or provisions in agreements that restrict the assignment of such agreement or any rights thereunder;
- (h) any encumbrance or restriction by reason of applicable law, rule, regulation, order, license, permit or similar restriction;
- (i) any encumbrance or restriction under the sale of assets or Capital Interests, including, without limitation, any agreement for the sale or other disposition of a Subsidiary that restricts distributions by that Subsidiary pending its sale or other disposition;
- (j) restrictions on cash and other deposits or net worth imposed by customers under contracts entered into the ordinary course of business;
- (k) customary provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements, sale leaseback agreements and other similar agreements;



**Table of Contents**

- (l) purchase money obligations (including Capital Lease Obligations) for property acquired in the ordinary course of business that impose restrictions on that property so acquired of the nature described in clause (iii) of the first paragraph hereof;
- (m) Liens securing Debt otherwise permitted to be Incurred under the Indenture, including the provisions of the covenant described above under the caption **Limitation on Liens** that limit the right of the debtor to dispose of the assets subject to such Liens;
- (n) any Non-Recourse Receivable Subsidiary Indebtedness or other contractual requirements of a Receivable Subsidiary that is a Restricted Subsidiary in connection with a Qualified Receivables Transaction; *provided* that such restrictions apply only to such Receivable Subsidiary or the receivables and related assets described in the definition of Qualified Receivables Transaction which are subject to such Qualified Receivables Transaction;
- (o) any other agreement governing Debt entered into after the Issue Date that contains encumbrances and restrictions that are not materially more restrictive with respect to any Restricted Subsidiary than those in effect on the Issue Date with respect to that Restricted Subsidiary pursuant to agreements in effect on the Issue Date; and
- (p) existing under any agreement relating to Debt Incurred by Foreign Subsidiaries permitted to be Incurred pursuant to the covenant **Limitation on Incurrence of Debt** above and **Refinancing Debt** in respect thereof; *provided* that such restrictions are customary for a financing of such type and apply only to the Persons Incurring such Debt (including Guarantees thereof) and their Subsidiaries.

Nothing contained in this **Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries** covenant shall prevent the Company or any Restricted Subsidiary from (i) creating, incurring, assuming or suffering to exist any Liens otherwise permitted in the **Limitation on Liens** covenant or (ii) restricting the sale or other disposition of property or assets of the Company or any of its Restricted Subsidiaries that secure Debt of the Company or any of its Restricted Subsidiaries Incurred in accordance with the **Limitation on Incurrence of Debt** and **Limitation on Liens** covenants in the Indenture.

*Limitation on Asset Sales*

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

- (1) the Company (or the applicable Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Capital Interests issued or sold or otherwise disposed of; and
- (2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Eligible Cash Equivalents. For purposes of this clause (2), each of the following will be deemed to be cash:
  - (a) any liabilities, as shown on the most recent consolidated balance sheet of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee), or any Guarantees of Debt (including without limitation the SunBelt Guarantee) of Persons other than the Company or its Restricted Subsidiaries, that are assumed (contractually or otherwise) by the person acquiring such assets to the extent that

the Company and its Restricted Subsidiaries have no further liability with respect to such liabilities;

S-40

---

**Table of Contents**

- (b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash within 180 days of their receipt to the extent of the cash received in that conversion;
- (c) any stock or assets of the kind referred to in clauses (ii) or (iv) of the next paragraph of this covenant; and
- (d) any Designated Non-Cash Consideration received by the Company or its Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (d) that is at that time outstanding in the aggregate, not to exceed the greater of (i) \$35 million and (ii) 2.5% of the Company's Consolidated Total Assets, in each case at the time of the receipt of such Designated Non-Cash Consideration, with the Fair Market Value of each item of Designated Non-Cash Consideration measured at the time received and without giving effect to subsequent changes in value.

Within 365 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds at its option:

- (i) to permanently repay Debt and, if the Obligation repaid is revolving credit Debt, to correspondingly reduce commitments with respect thereto (A) under the Credit Facilities, (B) other Debt outstanding on the Issue Date (other than Debt subordinated by its terms to the Notes) with a Stated Maturity priority to the maturity of the Notes and (C) Debt of any Restricted Subsidiary that is not a Guarantor of the Notes;
- (ii) to acquire all or substantially all of the assets of, or any Capital Interests of, another Permitted Business, if, after giving effect to any such acquisition of Capital Interests, the Permitted Business is or becomes a Restricted Subsidiary of the Company;
- (iii) to make a capital expenditure in or that is used or useful in a Permitted Business or to make expenditures for maintenance, repair or improvement of existing properties and assets in accordance with the provisions of the Indenture;
- (iv) to acquire other assets (other than inventory) that are used or useful in a Permitted Business;
- (v) to repay or repurchase Debt secured by the assets of the Company or any Restricted Subsidiaries; or
- (vi) any combination of the foregoing;

In addition to the foregoing, any acquisition of the type described in clauses (ii) or (iv) and/or any capital expenditure described in clause (iii), in each case made within 180 days prior to an Asset Sale, shall be deemed to satisfy this paragraph with respect to the application of the Net Cash Proceeds from such Asset Sale.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph of this covenant or that is not segregated from the general funds of the Company for investment as permitted by the foregoing clauses (ii), (iii) and (iv) in respect of a project that shall have been commenced, and for which binding contractual commitments have been entered into, prior to the end of such 365-day period and that shall not have been completed or abandoned shall constitute *Excess Proceeds*; *provided, however*, that the amount of any Net Cash Proceeds that cease to be so segregated as contemplated above and any Net Cash Proceeds that are segregated in respect of a project that is abandoned or completed shall also





**Table of Contents**

constitute Excess Proceeds at the time any such Net Cash Proceeds cease to be so segregated or at the time the relevant project is so abandoned or completed, as applicable; *provided further, however*, that the amount of any Net Cash Proceeds that continues to be segregated for investment and that is not actually reinvested within 540 days from the date of the receipt of such Net Cash Proceeds shall also constitute Excess Proceeds.

When the aggregate amount of Excess Proceeds exceeds \$35.0 million, the Company will (and at any time the Company may), within 30 days, make an Offer to Purchase to all Holders of Notes and to all holders of other Debt ranking *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to assets sales, equal to the Excess Proceeds. The offer price in any Offer to Purchase will be equal to 100% of the principal amount *plus* accrued and unpaid interest to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those funds for any purpose not otherwise prohibited by the Indenture and they will no longer constitute Excess Proceeds. If the aggregate principal amount of Notes and other *pari passu* debt tendered into such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes to be purchased on a pro rata basis among each series (subject to The Depository Trust Company, Euroclear and/or Clearstream procedures as applicable). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero. Pending the final application of any Net Cash Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Cash Proceeds in any manner that is not prohibited by the Indenture.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will be deemed to have complied with its obligations under the Asset Sale provisions of the Indenture by virtue of such compliance.

*Limitation on Transactions with Affiliates*

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction or series of related transactions, contract, agreement, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each of the foregoing, an *Affiliate Transaction* ) involving aggregate consideration in excess of \$5.0 million, unless:

- (i) such Affiliate Transaction is on terms that are not materially less favorable to the Company or the relevant Subsidiary than those that could reasonably be expected to have been obtained in a comparable arm's-length transaction by the Company or such Subsidiary with an unaffiliated party; and
- (ii) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$15.0 million, the Company delivers to the Trustee a resolution adopted in good faith by the majority of the Board of Directors of the Company approving such Affiliate Transaction and set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with clause (i) above; and
- (iii) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$25.0 million, the Company must obtain and deliver to the Trustee a written opinion of a nationally recognized investment banking, accounting or appraisal firm stating that the transaction is fair to the Company or such Restricted Subsidiary, as the case may be, from a financial point of view.



**Table of Contents**

The foregoing limitations do not limit, and shall not apply to:

- (1) Restricted Payments that are permitted by the provisions of the Indenture described above under Limitation on Restricted Payments and Permitted Investments permitted under the Indenture;
- (2) the payment of reasonable and customary compensation and indemnities and other benefits to members of the Board of Directors of the Company or a Restricted Subsidiary who are outside directors;
- (3) the payment of reasonable and customary compensation (including awards or grants in cash or securities and other payments) and other benefits (including retirement, health, option, deferred compensation and other benefit plans) and indemnities to officers and employees of the Company or any Restricted Subsidiary as determined by the Board of Directors thereof in good faith;
- (4) transactions between or among the Company and/or its Restricted Subsidiaries;
- (5) any agreement or arrangement as in effect on the Issue Date and any amendment or modification thereto so long as such amendment or modification is not more disadvantageous to the Holders of the Notes in any material respect;
- (6) any contribution of capital to the Company;
- (7) transactions permitted by, and complying with, the provisions of the Indenture described below under Consolidation, Merger, Conveyance, Transfer or Lease ;
- (8) any transaction with a joint venture, partnership, limited liability company or other entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in such joint venture, partnership, limited liability company or other entity;
- (9) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case, in the ordinary course of business and on terms that are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, as determined in good faith by the Company, than those that could reasonably be expected to be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of the Company;
- (10) transactions effected as part of a Qualified Receivables Transaction;
- (11) loans (or Guarantees of third-party loans) and advances to officers, directors and employees of the Company and Subsidiaries in an aggregate amount not to exceed \$10.0 million at any one time outstanding for travel, entertainment, relocation and analogous ordinary business purposes; and
- (12) the issuance or sale of any Capital Stock (other than Disqualified Capital Stock) of the Company.

**Table of Contents**

*Limitation on Sale and Leaseback Transactions*

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction unless:

- (i) the consideration received in such Sale and Leaseback Transaction is at least equal to the Fair Market Value of the property sold,
- (ii) prior to and after giving effect to the Attributable Debt in respect of such Sale and Leaseback Transaction, the Company and such Restricted Subsidiary comply with the Limitation on Incurrence of Debt covenant contained herein, and
- (iii) at or after such time the Company and such Restricted Subsidiary also comply with the Limitation on Asset Sales covenant contained herein, if applicable.

*Provision of Financial Information*

Whether or not required by the rules or regulations of the Commission, so long as any Notes are outstanding, the Company will furnish to the Trustee and the Holders of Notes, or file electronically with the Commission through the Commission's Electronic Data Gathering, Analysis and Retrieval System (or any successor system), within the time periods specified in the Commission's rules and regulations (after giving effect to any grace period provided by Rule 12b-25 under the Exchange Act):

- (1) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such Forms, including a Management's Discussion and Analysis of Financial Condition and Results of Operations and, with respect to the annual information only, a report on the annual financial statements by the Company's certified independent accountants; and
- (2) all current reports that would be required to be filed (as opposed to furnished) with the Commission on Form 8-K if the Company were required to file such reports.

In addition, whether or not required by the Commission, the Company will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the Commission for public availability within the time periods specified in the Commission's rules and regulations (after giving effect to any grace period provided by Rule 12b-25 under the Exchange Act) (unless the Commission will not accept such a filing) and make such information available to prospective investors.

If the Company has designated any of its Subsidiaries (other than a Receivables Subsidiary) as Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

*Note Guarantees*

The Company will not permit any Restricted Subsidiary (other than a Foreign Subsidiary or a Receivable Subsidiary) to Incur any Debt (other than (A) Debt Incurred pursuant to clauses (iv), (v), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xvi), (xviii), (xix) and (xx) (in the case of clause (xx), such Refinancing Debt only with respect to such foregoing clauses of the definition of Permitted Debt ) of the definition of Permitted Debt and (B) other Debt having an aggregate principal amount for all non-Guarantors (other than

S-44

---

**Table of Contents**

Foreign Subsidiaries or Receivable Subsidiaries) not in excess of \$35.0 million at any one time outstanding; *provided* that, in the case of clause (B), at the time of, and after giving effect to, the Incurrence of such Debt the Company could Incur \$1.00 of additional Debt (other than Permitted Debt) under the provisions described in the first paragraph of

Limitation on Incurrence of Debt ) unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of the payment of the Notes by such Restricted Subsidiary (a *Note Guarantee* ); *provided* that any Subsidiary that is an Immaterial Subsidiary shall not be required to become a Guarantor only if such Subsidiary continues to constitute an Immaterial Subsidiary.

If the Guaranteed Debt is subordinated in right of payment to the Notes, pursuant to a written agreement to that effect, the Guarantee of such Guaranteed Debt must be subordinated in right of payment to the Note Guarantee to at least the extent that the Guaranteed Debt is subordinated to the Notes.

Any Note Guarantee will be a senior Obligation of that Guarantor and will rank equally with all senior unsecured Obligations of such Guarantor and will be effectively subordinated to any secured Debt to the extent of the assets securing such Debt.

A Note Guarantee will terminate upon:

- (1) a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Subsidiary or an Affiliate) otherwise permitted by the Indenture;
- (2) the applicable Guarantor s becoming an Unrestricted Subsidiary in accordance with the terms of the Indenture; or
- (3) the release or discharge of the Guarantee or security that enabled the creation of the Note Guarantee and all other Guarantees of Debt of the Company by such Guarantor; *provided* that no Default or Event of Default has occurred and is continuing or would result therefrom.

In the case of any Guarantor which is a Foreign Holdco, recourse on its Note Guarantee will extend to all of such Foreign Holdco s assets except that, with respect to such Foreign Holdco s assets consisting of any Capital Interests in any CFC, such recourse will not extend to more than 65% of the total voting power of all classes of stock entitled to vote within the meaning of Treasury Regulation Section 1.956-2(c)(2) (promulgated under the Code) of any such CFC owned directly by such Foreign Holdco. Each Note Guarantee by a Restricted Subsidiary will be limited to an amount not to exceed the maximum amount that can be Guaranteed by that Restricted Subsidiary without rendering the Guarantee, as it relates to such Restricted Subsidiary, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. We cannot assure you that this limitation will protect the Note Guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the Note Guarantees would suffice, if necessary, to pay the Notes in full when due. In a recent Florida bankruptcy case, this kind of provision was found to be unenforceable and, as a result, the subsidiary guarantees in that case were found to be fraudulent conveyances. We do not know if that case will be followed if there is litigation on this point under the Indenture. However, if it is followed, the risk that the Note Guarantees will be found to be fraudulent conveyances will be significantly increased.

*Limitation on Creation of Unrestricted Subsidiaries*

The Company may designate any Subsidiary of the Company to be an Unrestricted Subsidiary as provided below, in which event such Subsidiary and each other Person that is then or thereafter becomes a Subsidiary of such Subsidiary will be deemed to be an Unrestricted Subsidiary.





**Table of Contents**

*Unrestricted Subsidiary means:*

- (1) any Subsidiary designated as such by an Officer's Certificate as set forth below where neither the Company nor any of its Restricted Subsidiaries (i) provides credit support for, or Guarantee of, any Debt of such Subsidiary or any Subsidiary of such Subsidiary (including any undertaking, agreement or instrument evidencing such Debt, but excluding in the case of a Receivables Subsidiary any Standard Securitization Undertakings and further excluding other Debt under which the lender has recourse to the Company or any Restricted Subsidiary or to any of their assets that does not exceed \$15.0 million in the aggregate), *provided* that the Company or any Restricted Subsidiary may pledge Capital Interests or Property of any Unrestricted Subsidiary on a non-recourse basis as long as the pledgee has no claim whatsoever against the Company or any Restricted Subsidiary other than to obtain that pledged Capital Interests or Property, or (ii) is directly or indirectly liable for any Debt of such Subsidiary or any Subsidiary of such Subsidiary (except in the case of a Receivables Subsidiary any Standard Securitization Undertakings); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Company may designate any Subsidiary to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Interests of, or owns or holds any Lien on any property of, any other Restricted Subsidiary of the Company, *provided* that either:

- (x) the Subsidiary to be so designated has total assets of \$1,000 or less; or
- (y) the Company could make a Restricted Payment at the time of designation in an amount equal to the Fair Market Value of such Subsidiary pursuant to the Limitation on Restricted Payments covenant and such amount is thereafter treated as a Restricted Payment for the purpose of calculating the amount available for Restricted Payments thereunder.

An Unrestricted Subsidiary may be designated as a Restricted Subsidiary if (i) all the Debt of such Unrestricted Subsidiary could be Incurred under the Limitation on Incurrence of Debt covenant and (ii) all the Liens on the property and assets of such Unrestricted Subsidiary could be incurred pursuant to the Limitation on Liens covenant.

*Consolidation, Merger, Conveyance, Transfer or Lease*

The following provisions will apply to the Notes in lieu of the provisions described in the accompanying prospectus under Description of Debt Securities Consolidation, Merger and Sale of Assets.

The Company will not in any transaction or series of transactions, consolidate with or merge into any other Person (other than a merger of a Restricted Subsidiary into the Company in which the Company is the continuing Person or the merger of a Restricted Subsidiary into or with another Restricted Subsidiary or another Person that as a result of such transaction becomes or merges into a Restricted Subsidiary), or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of the assets of the Company and its Restricted Subsidiaries (determined on a consolidated basis), taken as a whole, to any other Person, unless:

- (i) either: (a) the Company shall be the continuing Person or (b) the Person (if other than the Company) formed by such consolidation or into which the Company is merged, or the Person that acquires, by sale, assignment, conveyance, transfer, lease or other disposition, all or substantially all of the property and assets of the Company (such Person, the *Surviving Entity*), (1) shall be a corporation,

partnership, limited liability company or similar entity organized and validly existing under the laws of the United States, any political subdivision thereof or any state thereof or the District of Columbia and (2) shall expressly assume, by a supplemental indenture, the due and punctual payment of all amounts due in respect of the

S-46

---

**Table of Contents**

principal of (and premium, if any) and interest on all the Notes and the performance of the covenants and obligations of the Company under the Indenture; *provided* that at any time the Company or its successor is not a corporation, there shall be a co-issuer of the Notes that is a corporation;

- (ii) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis (including, without limitation, any Debt Incurred or anticipated to be Incurred in connection with or in respect of such transaction or series of transactions), no Default or Event of Default shall have occurred and be continuing or would result therefrom;
- (iii) immediately after giving effect to any such transaction or series of transactions on a *pro forma* basis (including, without limitation, any Debt Incurred or anticipated to be Incurred in connection with or in respect of such transaction or series of transactions) as if such transaction or series of transactions had occurred on the first day of the determination period, the Company (or the Surviving Entity if the Company is not continuing) could Incur \$1.00 of additional Debt (other than Permitted Debt) under the provisions described in the first paragraph of Limitation on Incurrence of Debt or the Fixed Charge Coverage Ratio would not be less than immediately prior to such transaction or series of transactions; and
- (iv) the Company delivers, or causes to be delivered, to the Trustee, in form satisfactory to the Trustee, an Officer's Certificate and an opinion of counsel, each stating that such consolidation, merger, sale, conveyance, assignment, transfer, lease or other disposition complies with the requirements of the Indenture.

Notwithstanding the foregoing, failure to satisfy the requirements of the preceding clauses (ii) and (iii) will not prohibit:

- (a) a merger between the Company and a Restricted Subsidiary that is a wholly owned Subsidiary of the Company; or
- (b) a merger between the Company and an Affiliate solely for the purpose of converting the Company into a corporation organized under the laws of the United States or any political subdivision or state thereof so long as the amount of Debt of the Company and its Restricted Subsidiaries is not increased thereby.

For all purposes of the Indenture and the Notes, Subsidiaries of any Surviving Entity will, upon such transaction or series of transactions, become Restricted Subsidiaries or Unrestricted Subsidiaries as provided pursuant to the Indenture and all Debt, and all Liens on property or assets, of the Surviving Entity and its Subsidiaries that was not Debt, or were not Liens on property or assets, of the Company and its Subsidiaries immediately prior to such transaction or series of transactions shall be deemed to have been Incurred upon such transaction or series of transactions.

Upon any transaction or series of transactions that are of the type described in, and are effected in accordance with, conditions described in the immediately preceding paragraphs, the Surviving Entity shall succeed to, and be substituted for, and may exercise every right and power of, the Company, under the Indenture with the same effect as if such Surviving Entity had been named as the Company therein; and when a Surviving Person duly assumes all of the obligations and covenants of the Company pursuant to the Indenture and the Notes, except in the case of a lease, the predecessor Person shall be relieved of all such obligations.

**Table of Contents**

*Limitation on Business Activities*

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Permitted Business.

**Events of Default**

The following provisions will apply to the Notes in lieu of the provisions described in the accompanying prospectus under Description of Debt Securities Events of Default.

Each of the following is an Event of Default under the Indenture:

- (1) default in the payment in respect of the principal of (or premium, if any, on) any Note when due and payable (whether at Stated Maturity or upon repurchase, acceleration, optional redemption or otherwise);
- (2) default in the payment of any interest upon any Note when it becomes due and payable, and continuance of such default for a period of 30 days;
- (3) failure to perform or comply with the Indenture provisions described under Provision of Financial Information and continuance of such failure to perform or comply for a period of 120 days after written notice thereof has been given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the outstanding Notes;
- (4) except as permitted by the Indenture, any Note Guarantee of any Significant Subsidiary (or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary), shall for any reason cease to be, or it shall be asserted by any Guarantor or the Company not to be, in full force and effect and enforceable in accordance with its terms;
- (5) default in the performance, or breach, of any covenant or agreement of the Company or any Guarantor in the Indenture (other than a covenant or agreement a default in whose performance or whose breach is specifically dealt with in clauses (1), (2), (3) or (4) above), and continuance of such default or breach for a period of 60 days after written notice thereof has been given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the outstanding Notes;
- (6) a default or defaults under any bonds, debentures, notes or other evidences of Debt (other than the Notes) by the Company or any Restricted Subsidiary having, individually or in the aggregate, a principal or similar amount outstanding of at least \$40.0 million, whether such Debt now exists or shall hereafter be created, which default or defaults shall have resulted in the acceleration of the maturity of such Debt prior to its express maturity or shall constitute a failure to pay at least \$40.0 million of such Debt when due and payable after the expiration of any applicable grace period with respect thereto;
- (7) the entry against the Company or any Restricted Subsidiary that is a Significant Subsidiary of a final judgment or final judgments for the payment of money in an aggregate amount in excess of \$40.0 million (net of any amounts covered by insurance where coverage has not been disclaimed or denied), by a court or courts of competent jurisdiction, which judgment or judgments remain undischarged, unwaived, unstayed, unbonded or unsatisfied for a period of 60 consecutive days; or



**Table of Contents**

- (8) certain events in bankruptcy, insolvency or reorganization affecting the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary).

If an Event of Default (other than an Event of Default specified in clause (8) above with respect to the Company) occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in aggregate principal amount of the outstanding Notes may declare the principal of the Notes and any accrued interest on the Notes to be due and payable immediately by a notice in writing to the Company (and to the Trustee if given by Holders); *provided, however*, that after such acceleration, but before a judgment or decree based on acceleration, the Holders of a majority in aggregate principal amount of the outstanding Notes may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the nonpayment of accelerated principal of or interest on the Notes, have been cured or waived as provided in the Indenture.

In the event of a declaration of acceleration of the Notes solely because an Event of Default described in clause (6) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically rescinded and annulled if the event of default or payment default triggering such Event of Default pursuant to clause (6) shall be remedied or cured by the Company or a Restricted Subsidiary of the Company or waived by the holders of the relevant Debt within 20 business days after the declaration of acceleration with respect thereto and if the rescission and annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction obtained by the Trustee for the payment of amounts due on the Notes.

If an Event of Default specified in clause (8) above occurs with respect to the Company, the principal of and any accrued interest on the Notes then outstanding shall *ipso facto* become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. For further information as to waiver of defaults, see Amendment, Supplement and Waiver. The Trustee may withhold from Holders notice of any Default (except Default in payment of principal of, premium, if any, and interest) if the Trustee determines that withholding notice is in the interests of the Holders to do so.

No Holder of any Note will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default and unless also the Holders of at least 25% in aggregate principal amount of the outstanding Notes shall have made written request to the Trustee, and provided indemnity reasonably satisfactory to the Trustee, to institute such proceeding as Trustee, and the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the outstanding Notes a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days. Such limitations do not apply, however, to a suit instituted by a Holder of a Note directly (as opposed to through the Trustee) for enforcement of payment of the principal of (and premium, if any) or interest on such Note on or after the respective due dates expressed in such Note.

The Company will be required to furnish to the Trustee annually a statement as to the performance of certain obligations under the Indenture and as to any default in such performance. The Company also is required to notify the Trustee if it becomes aware of the occurrence of any Default or Event of Default that has not been cured.

**Amendment, Supplement and Waiver**

The following provisions will apply to the Notes in lieu of the provisions described in the accompanying prospectus under Description of Debt Securities Modification and Waiver.

Without the consent of any Holders, the Company, any Guarantors (except that any existing Guarantors need not execute a supplemental indenture entered into pursuant to clause (7) below) and the

S-49

---

**Table of Contents**

Trustee, at any time and from time to time, may enter into one or more indentures supplemental to the Indenture and any Note Guarantees for any of the following purposes:

- (1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company in the Indenture, any Note Guarantees and the Notes;
- (2) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company;
- (3) to add additional Events of Default;
- (4) to provide for uncertificated Notes in addition to or in place of the certificated Notes;
- (5) to evidence and provide for the acceptance of appointment under the Indenture by a successor Trustee;
- (6) to provide for or confirm the issuance of Additional Notes in accordance with the terms of the Indenture;
- (7) to add a Guarantor or to release a Guarantor in accordance with the Indenture, or to modify the Indenture in connection with the addition of any Guarantor and Note Guarantee;
- (8) to cure any ambiguity, defect, omission, mistake or inconsistency;
- (9) to make any other provisions with respect to matters or questions arising under the Indenture, *provided* that such actions pursuant to this clause (9) shall not adversely affect the legal interests of the Holders in any material respect, as determined in good faith by the Board of Directors of the Company;
- (10) to conform the text of the Indenture or the Notes to any provision of this Description of Notes to the extent that the Trustee has received an Officer's Certificate stating that such text constitutes an unintended conflict with the description of the corresponding provision in this Description of Notes; or
- (11) to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

With the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, the Company, any Guarantors and the Trustee may enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or the Notes or of modifying in any manner the rights of the Holders of the Notes under the Indenture, including the definitions therein; *provided, however*, that no such supplemental indenture shall, without the consent of the Holder of each outstanding Note affected thereby:

- (1) change the Stated Maturity of any Note or of any installment of interest on any Note, or reduce the amount payable in respect of the principal thereof or the rate of interest thereon or any premium payable thereon, or reduce the amount that would be due and payable on acceleration of the maturity thereof, or the coin or currency in which, any Note or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof, or change the date on which any Notes may be subject to redemption or reduce the Redemption Price therefore;





**Table of Contents**

- (2) reduce the percentage in aggregate principal amount of the outstanding Notes, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences) provided for in the Indenture;
- (3) modify the obligations of the Company to make Offers to Purchase upon a Change of Control or from the Excess Proceeds of Asset Sales after the occurrence of such Change of Control or such Asset Sale;
- (4) modify or change any provision of the Indenture affecting the ranking of the Notes or any Note Guarantee in a manner adverse to the Holders of the Notes;
- (5) modify any of the provisions of this paragraph or provisions relating to waiver of defaults or certain covenants, except to increase any such percentage required for such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each outstanding Note affected thereby; or
- (6) release any Note Guarantees required to be maintained under the Indenture (other than in accordance with the terms of the Indenture).

The Holders of not less than a majority in aggregate principal amount of the outstanding Notes may on behalf of the Holders of all the Notes waive any past Default under the Indenture and its consequences, except a Default:

- (1) in any payment in respect of the principal of (or premium, if any) or interest on any Notes (including any Note which is required to have been purchased pursuant to an Offer to Purchase which has been made by the Company), or
- (2) in respect of a covenant or provision hereof which under the Indenture cannot be modified or amended without the consent of the Holder of each outstanding Note affected.

**Satisfaction and Discharge of the Indenture**

The Company and any Guarantors may terminate the obligations under the Indenture when:

- (1) either: (A) all Notes theretofore authenticated and delivered have been delivered to the Trustee for cancellation, or (B) all such Notes not theretofore delivered to the Trustee for cancellation (i) have become due and payable or (ii) will become due and payable within one year or are to be called for redemption within one year (a *Discharge* ) under irrevocable arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire indebtedness on the Notes, not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest to the Stated Maturity or date of redemption;
- (2) the Company has paid or caused to be paid all other sums then due and payable under the Indenture by the Company;
- (3) the deposit will not result in a breach or violation of, or constitute a default under, any other material instrument to which the Company or any Guarantor is a party or by which the Company or any

Guarantor is bound;

S-51

---

**Table of Contents**

- (4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be; and
- (5) the Company has delivered to the Trustee an Officer's Certificate and an opinion of counsel reasonably acceptable to the Trustee, each stating that all conditions precedent under the Indenture relating to the Discharge have been complied with.

**Defeasance**

The following provisions will apply to the Notes in lieu of the provisions described in the accompanying prospectus under Description of Debt Securities and Certain Covenants in Certain Circumstances.

The Company may elect, at its option, to have its obligations discharged with respect to the outstanding Notes ( *defeasance* ). Such defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes, except for:

- (1) the rights of Holders of such Notes to receive payments in respect of the principal of and any premium and interest on such Notes when payments are due,
- (2) the Company's obligations with respect to such Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust,
- (3) the rights, powers, trusts, duties and immunities of the Trustee,
- (4) the Company's right of optional redemption, and
- (5) the defeasance provisions of the Indenture.

In addition, the Company may elect, at its option, to have its obligations released with respect to certain covenants, including, without limitation, their obligation to make Offers to Purchase in connection with Asset Sales and any Change of Control, in the Indenture ( *covenant defeasance* ) and any omission to comply with such obligation shall not constitute a Default or an Event of Default with respect to the Notes. In the event covenant defeasance occurs, certain events (not including non-payment, bankruptcy and insolvency events) described under Events of Default will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either defeasance or covenant defeasance with respect to outstanding Notes:

- (1) the Company must irrevocably have deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to the benefits of the Holders of such Notes: (A) money in an amount, (B) U.S. government obligations, which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than the due date of any payment, money in an amount or (C) a combination thereof, in each case sufficient without reinvestment, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee to pay and discharge, the entire indebtedness in respect of the principal of and premium, if any,

and interest on such Notes on the Stated Maturity thereof or (if the Company has made irrevocable arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name and at the expense of the Company) the

S-52

---

**Table of Contents**

redemption date thereof, as the case may be, in accordance with the terms of the Indenture and such Notes;

- (2) in the case of defeasance, the Company shall have delivered to the Trustee an opinion of counsel stating that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of the Indenture, there has been a change in the applicable United States federal income tax law, in either case (A) or (B) to the effect that, and based thereon such opinion shall confirm that, the Holders of such Notes will not recognize gain or loss for United States federal income tax purposes as a result of the deposit, defeasance and discharge to be effected with respect to such Notes and will be subject to United States federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit, defeasance and discharge were not to occur;
- (3) in the case of covenant defeasance, the Company shall have delivered to the Trustee an opinion of counsel to the effect that the Holders of such outstanding Notes will not recognize gain or loss for United States federal income tax purposes as a result of the deposit and covenant defeasance to be effected with respect to such Notes and will be subject to federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit and covenant defeasance were not to occur;
- (4) no Default or Event of Default with respect to the outstanding Notes shall have occurred and be continuing at the time of such deposit after giving effect thereto (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and the grant of any Lien to secure such borrowing);
- (5) such defeasance or covenant defeasance shall not cause the Trustee to have a conflicting interest within the meaning of the Trust Indenture Act (assuming all Notes are in default within the meaning of such Act);
- (6) such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or material instrument (other than the Indenture) to which the Company is a party or by which the Company is bound; and
- (7) the Company shall have delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that all conditions precedent with respect to such defeasance or covenant defeasance have been complied with.

Notwithstanding the foregoing, the opinion of counsel required by clause (2) above with respect to a defeasance need not be delivered if all Notes not therefore delivered to the Trustee for cancellation (x) have become due and payable, or (y) will become due and payable at Stated Maturity within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

In the event of a defeasance or a Discharge, a Holder whose taxable year straddles the deposit of funds and the distribution in redemption to such Holder would be subject to tax on any gain (whether characterized as capital gain or market discount) in the year of deposit rather than in the year of receipt. In connection with a Discharge, in the event the Company becomes insolvent within the applicable preference period after the date of deposit, monies held for the payment of the Notes may be part of the bankruptcy estate of the Company, disbursement of such monies may be subject to the automatic stay of the bankruptcy code and monies disbursed to Holders may be subject to disgorgement in favor of the Company's estate. Similar results may apply upon the insolvency of the Company during the applicable preference period following the deposit of monies in connection with defeasance.



## **Table of Contents**

### **The Trustee**

The Trustee from time to time may extend credit to the Company in the normal course of business. Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the continuance of an Event of Default that has not been cured or waived, the Trustee will exercise such of the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Indenture and the Trust Indenture Act contain certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Trust Indenture Act) it must eliminate such conflict within 90 days, apply to the Commission for permission to continue or resign.

The Holders of a majority in principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Subject to such provisions, the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders pursuant to the Indenture, unless such Holders shall have provided to the Trustee security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

No recourse may, to the full extent permitted by applicable law, be taken, directly or indirectly, with respect to the obligations of the Company or the Guarantors on the Notes or under the Indenture or any related documents, any certificate or other writing delivered in connection therewith, against (i) the Trustee in its individual capacity, (ii) any partner, owner, beneficiary, agent, officer, director, employee, agent, successor or assign of the Trustee, each in its individual capacity, or (iii) any holder of equity in the Trustee.

### **No Personal Liability of Shareholders, Partners, Officers or Directors**

No director, officer, employee, shareholder, Affiliate, general or limited partner or incorporator, past, present or future, of the Company or any of its Subsidiaries, as such or in such capacity, shall have any personal liability for any obligations of the Company under the Notes, any Note Guarantee or the Indenture by reason of his, her or its status as such director, officer, employee, shareholder, Affiliate, general or limited partner or incorporator. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

### **Governing Law**

The Indenture, the Notes and any Note Guarantees will be governed by, and will be construed in accordance with, the laws of the State of New York.

### **Certain Definitions**



Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any capitalized term used herein for which no definition is provided. Where a definition below differs from the same definition in the accompanying prospectus under Description of Debt Securities Certain Defined Terms, the definition below will apply to the Notes in lieu thereof.

S-54

---

**Table of Contents**

*Acquired Debt* means Debt (1) of a Person (including an Unrestricted Subsidiary) existing at the time such Person becomes a Restricted Subsidiary or (2) assumed in connection with the acquisition of assets from such Person. Acquired Debt shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets.

*Affiliate* of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, control when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms controlling and controlled have meanings that correspond to the foregoing.

*Applicable Premium* means, with respect to a Note at any date of redemption, the greater of (i) 1.0% of the principal amount of such Note and (ii) the excess of (A) the present value at such date of redemption of (1) the redemption price of such Note at , 2015 (such redemption price being described under Optional Redemption ) plus (2) all remaining required interest payments due on such Note through , 2015 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (B) the principal amount of such Note.

*Asset Acquisition* means:

- (a) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary, or shall be merged with or into the Company or any Restricted Subsidiary; or
- (b) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person which constitute all or substantially all of the assets of such Person, any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business and consistent with past practices.

*Asset Sale* means any transfer, conveyance, sale, lease or other disposition (including, without limitation, dispositions pursuant to any consolidation or merger) by the Company or any of its Restricted Subsidiaries to any Person (other than to the Company or one or more of its Restricted Subsidiaries) in any single transaction or series of transactions of:

- (i) Capital Interests in a Restricted Subsidiary (other than directors qualifying shares or shares or interests required to be held by foreign nationals pursuant to local law);
- (ii) any other property or assets (other than in the normal course of business, including any sale or other disposition of obsolete or permanently retired equipment);

*provided, however*, that the term Asset Sale shall exclude:

- (a) any asset disposition permitted by the provisions described under Consolidation, Merger, Conveyance, Lease or Transfer that constitutes a disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole;
- (b)

any transfer, conveyance, sale, lease or other disposition of property or assets, the gross proceeds of which (exclusive of indemnities) do not exceed in any one or related series of transactions \$10.0 million;

- (c) sales or other dispositions of cash or Eligible Cash Equivalents;

S-55

---

**Table of Contents**

- (d) sales of interests in or assets of Unrestricted Subsidiaries;
- (e) the sale and leaseback of any assets within 90 days of the acquisition thereof;
- (f) the disposition of assets that, in the good faith judgment of the Company, are no longer used or useful in the business of such entity;
- (g) a Restricted Payment or Permitted Investment that is otherwise permitted by the Indenture;
- (h) any trade-in of equipment in exchange for other equipment; *provided* that, in the good faith judgment of the Company, the Company or such Restricted Subsidiary receives equipment having a Fair Market Value equal to or greater than the equipment being traded in;
- (i) the concurrent purchase and sale or exchange of Related Business Assets or a combination of Related Business Assets between the Company or any of its Restricted Subsidiaries and another person to the extent that the Related Business Assets received by the Company or its Restricted Subsidiaries are of equivalent or greater Fair Market Value than the Related Business Assets transferred;
- (j) the creation of a Lien (but not the sale or other disposition of the property subject to such Lien);
- (k) leases or subleases in the ordinary course of business to third persons not interfering in any material respect with the business of the Company or any of its Restricted Subsidiaries and otherwise in accordance with the provisions of the Indenture;
- (l) any disposition by a Subsidiary to the Company or by the Company or a Subsidiary to a Restricted Subsidiary;
- (m) dispositions of accounts receivable in connection with the collection or compromise thereof in the ordinary course of business and consistent with past practice;
- (n) licensing or sublicensing of intellectual property or other general intangibles in accordance with industry practice in the ordinary course of business;
- (o) any transfer of accounts receivable, or a fractional undivided interest therein, by a Receivable Subsidiary in a Qualified Receivables Transaction;
- (p) any release of any intangible claims or rights in connection with a lawsuit, dispute or other controversy;
- (q) sales of accounts receivable to a Receivable Subsidiary pursuant to a Qualified Receivables Transaction for the Fair Market Value thereof; including cash or other financial accommodation, such as the provision of letters of credit by such Receivable Subsidiary on behalf of or for the benefit of the transferor of such accounts receivable (for the purposes of this clause (q), Purchase Money Notes will be deemed to be cash); or
- (r) foreclosures on assets to the extent they would not otherwise result in a Default or Event of Default.

For purposes of this definition, any series of related transactions that, if effected as a single transaction, would constitute an Asset Sale shall be deemed to be a single Asset Sale effected when the last such transaction which is a

part thereof is effected.

S-56

---

**Table of Contents**

*Attributable Debt* in respect of a Sale and Leaseback Transaction means, at the time of determination, the present value (discounted at the rate of interest implicit in such transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction (including any period for which such lease has been extended).

*Average Life* means, as of any date of determination, with respect to any Debt, the quotient obtained by *dividing* (i) the sum of the products of (x) the number of years from the date of determination to the dates of each successive scheduled principal payment (including any sinking fund or mandatory redemption payment requirements) of such Debt *multiplied* by (y) the amount of such principal payment by (ii) the sum of all such principal payments.

*Board of Directors* means (i) with respect to the Company or any Restricted Subsidiary, its board of directors or any duly authorized committee thereof; (ii) with respect to a corporation, the board of directors of such corporation or any duly authorized committee thereof; and (iii) with respect to any other entity, the board of directors or similar body of the general partner or managers of such entity or any duly authorized committee thereof.

*Capital Interests* in any Person means any and all shares, interests (including Preferred Interests), participations or other equivalents in the equity interest (however designated) in such Person and any rights (other than Debt securities convertible into an equity interest), warrants or options to acquire an equity interest in such Person.

*Capital Lease Obligations* means any obligation of a Person under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP; and the amount of Debt represented by such obligation shall be the capitalized amount of such obligations determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

*CFC* means a Person that is a controlled foreign corporation under Section 957 of the Code.

*Change of Control* means:

- (1) the Company becomes aware (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) that any person or group (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the ultimate beneficial owner (as such term is used in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (1) such person or group shall be deemed to have beneficial ownership of all shares that any such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the Voting Interests in the Company,
- (2) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by the Board of Directors or whose nomination for election by the equityholders of the Company was approved by a vote of a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Company's Board of Directors then in office, or
- (3) the Company sells, conveys, transfers or leases (either in one transaction or a series of related transactions) all or substantially all of its assets to, or merges or consolidates with, a Person other than a Restricted Subsidiary of the Company, other than a merger or consolidation where



**Table of Contents**

(A) the Voting Interests of the Company outstanding immediately prior to such transaction are converted into or exchanged for Voting Interests of the surviving or transferee Person constituting a majority of the outstanding Voting Interests of such surviving or transferee Person (immediately after giving effect to such issuance) and (B) immediately after such transaction, no person or group (as such terms are used in Section 13(d) and 14(d) of the Exchange Act) becomes, directly or indirectly, the beneficial owner of 50% or more of the voting power of the Voting Interests of the surviving or transferee Person.

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

*Common Interests* of any Person means Capital Interests in such Person that do not rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to Capital Interests of any other class in such Person.

*Company* means PolyOne Corporation and any successor thereto.

*Consolidated Cash Flow Available for Fixed Charges* means, with respect to any Person for any period:

- (i) the sum of, without duplication, the amounts for such period, taken as a single accounting period, of:
  - (a) Consolidated Net Income;
  - (b) Consolidated Non-cash Charges;
  - (c) Consolidated Interest Expense to the extent the same was deducted in computing Consolidated Net Income;
  - (d) Consolidated Income Tax Expense;
  - (e) any expenses or charges related to any equity offering, Permitted Investment, recapitalization or Incurrence of Debt permitted to be made under the Indenture (whether or not successful) or related to this offering of the Notes;
  - (f) the amount of any interest expense attributable to minority equity interests of third parties in any non-wholly owned Subsidiary to the extent deducted in such period in computing Consolidated Net Income;
  - (g) any net loss from discontinued operations; and
  - (h) any costs or expenses incurred by the Company or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, any stock subscription or shareholder agreement, to the extent that such costs or expenses are funded with cash proceeds contributed to the capital of the Company or net cash proceeds of an issuance of Capital Interests of the Company (other than Redeemable Capital Interests); less
- (ii) (x) net income from discontinued operations and (y) non-cash items increasing Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business.





**Table of Contents**

*Consolidated Fixed Charge Coverage Ratio* means, with respect to any Person, the ratio of the aggregate amount of Consolidated Cash Flow Available for Fixed Charges of such Person for the four full fiscal quarters, treated as one period, for which financial information in respect thereof is available immediately preceding the date of the transaction (the *Transaction Date*) giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio (such four full fiscal quarter period being referred to herein as the *Four Quarter Period*) to the aggregate amount of Consolidated Fixed Charges of such Person for the Four-Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, Consolidated Cash Flow Available for Fixed Charges and Consolidated Fixed Charges shall be calculated after giving effect (i) to the cost of any compensation, remuneration or other benefit paid or provided to any employee, consultant, Affiliate, equity owner of the entity involved in any Asset Acquisition to the extent such costs are eliminated or reduced (or public announcement has been made of the intent to eliminate or reduce such costs) prior to the date of such calculation and not replaced; and (ii) on a *pro forma* basis for the period of such calculation, to any Asset Sales or other dispositions or Asset Acquisitions, Investments, mergers, consolidations, discontinued operations (as determined in accordance with GAAP) or designations of any Restricted Subsidiary as an Unrestricted Subsidiary or any Unrestricted Subsidiary as a Restricted Subsidiary occurring during the Four-Quarter Period or any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if such Asset Sale or other disposition or Asset Acquisition (including the Incurrence or assumption of any such Acquired Debt), Investment, merger, consolidation, disposed operation or designation occurred on the first day of the Four-Quarter Period. For purposes of this definition, *pro forma* calculations shall be made in accordance with Article 11 of Regulation S X promulgated under the Securities Act, except that such *pro forma* calculations may also include operating expense reductions for such period resulting from the Asset Sale or other disposition or Asset Acquisition, investment, merger, consolidation or discontinued operation (as determined in accordance with GAAP) for which *pro forma* effect is being given (A) that have been realized or (B) for which steps have been taken or are reasonably expected to be taken within six (6) months of the date of such transaction and are supportable and quantifiable and, in each case, including, but not limited to, (a) reduction in personnel expenses, (b) reduction of costs related to administrative functions, (c) reduction of costs related to leased or owned properties and (d) reductions from the consolidation of operations and streamlining of corporate overhead, *provided* that, in either case, such adjustments are set forth in an Officer's Certificate signed by the Company's chief financial or similar officer that states (i) the amount of such adjustment or adjustments and (ii) that such adjustment or adjustments are based on the reasonable good faith belief of the Officers executing such Officer's Certificate at the time of such execution.

Furthermore, in calculating Consolidated Fixed Charges for purposes of determining the denominator (but not the numerator) of this Consolidated Fixed Charge Coverage Ratio :

- (i) interest on outstanding Debt determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Debt in effect on the Transaction Date; and
- (ii) if interest on any Debt actually Incurred on the Transaction Date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the Transaction Date will be deemed to have been in effect during the Four Quarter Period.

If such Person or any of its Restricted Subsidiaries directly or indirectly Guarantees Debt of a third Person, the above clause shall give effect to the Incurrence of such Guaranteed Debt as if such Person or such Subsidiary had directly Incurred or otherwise assumed such Guaranteed Debt.

*Consolidated Fixed Charges* means, with respect to any Person for any period, the sum of, without duplication, the amounts for such period of:

- (i) Consolidated Interest Expense; and

S-59

---

**Table of Contents**

- (ii) the product of (a) all cash dividends and other distributions paid or accrued during such period in respect of Redeemable Capital Interests of such Person and its Restricted Subsidiaries (other than dividends paid in Qualified Capital Interests), *times* (b) a fraction, the numerator of which is one and the denominator of which is one *minus* the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal.

*Consolidated Income Tax Expense* means, with respect to any Person for any period the provision for federal, state, local and foreign income taxes of such Person and its Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP paid or accrued during such period, including any penalties and interest related to such taxes or arising from any tax examinations, to the extent the same were deducted in computing Consolidated Net Income.

*Consolidated Interest Expense* means, with respect to any Person for any period, without duplication, the sum of:

- (i) the total interest expense of such Person and its Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP, including, without limitation:
  - (a) any amortization of debt discount;
  - (b) the net cost under any Hedging Obligation or Swap Contract in respect of interest rate protection (including any amortization of discounts);
  - (c) the interest portion of any deferred payment obligation;
  - (d) all commissions, discounts and other fees and charges owed with respect to Qualified Receivables Transactions (to the extent payable by the Company and its Restricted Subsidiaries to any Person other than the Company or a Restricted Subsidiary) and letters of credit and bankers acceptance financings; and
  - (e) all accrued interest;
- (ii) the interest component of Capital Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Restricted Subsidiaries during such period determined on a consolidated basis in accordance with GAAP; and
- (iii) all capitalized interest of such Person and its Restricted Subsidiaries for such period; less interest income of such Person and its Restricted Subsidiaries for such period; *provided, however*, that Consolidated Interest Expense will exclude (I) the amortization or write-off of debt issuance costs and deferred financing fees, commissions, fees and expenses, (II) any expensing of interim loan commitment and other financing fees and (III) non-cash interest on any convertible or exchangeable notes that exists by virtue of the bifurcation of the debt and equity components of convertible or exchangeable notes and the application FSP APB 14-1 or any similar provision.

*Consolidated Net Income* means, with respect to any Person, for any period, the consolidated net income (or loss) of such Person and its Restricted Subsidiaries for such period as determined in accordance with GAAP, adjusted, to the extent included in calculating such net income, by:

- (A) excluding, without duplication

- (i) all extraordinary gains or losses (net of fees and expense relating to the transaction giving rise thereto), income, expenses or charges;

S-60

---

**Table of Contents**

- (ii) the portion of net income of such Person and its Restricted Subsidiaries allocable to minority interest in unconsolidated Persons or Investments in Unrestricted Subsidiaries to the extent that cash dividends or distributions have not actually been received by such Person or one of its Restricted Subsidiaries; *provided* that, for the avoidance of doubt, Consolidated Net Income shall be increased in amounts equal to the amounts of cash actually received;
- (iii) gains or losses in respect of any Asset Sales by such Person or one of its Restricted Subsidiaries (net of fees and expenses relating to the transaction giving rise thereto), on an after-tax basis;
- (iv) the net income (loss) from any disposed or discontinued operations or any net gains or losses on disposed or discontinued operations, on an after-tax basis;
- (v) solely for purposes of determining the amount available for Restricted Payments under clause (c) of the first paragraph of Certain Covenants Limitation on Restricted Payments, the net income of any Restricted Subsidiary (other than a Guarantor) or such Person to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulations applicable to that Restricted Subsidiary or its stockholders; *provided* that for the avoidance of doubt, Consolidated Net Income shall be increased in amounts equal to the amounts of cash actually received;
- (vi) any gain or loss realized as a result of the cumulative effect of a change in accounting principles;
- (vii) any fees and expenses paid in connection with the issuance of the Notes;
- (viii) non-cash compensation expense Incurred with any issuance of equity interests to an employee of such Person or any Restricted Subsidiary;
- (ix) any net after-tax gains or losses attributable to the early extinguishment or conversion of Debt;
- (x) any non-cash impairment charges or asset write-off or write-down resulting from the application of Statement of Financial Accounting Standards No. 142 or Statement of Financial Accounting Standards No. 144, and the amortization of intangibles arising pursuant to Statement of Financial Accounting Standards No. 141 or any related subsequent Statement of Financial Accounting Standards or Accounting Standards Codification;
- (xi) non-cash gains, losses, income and expenses resulting from fair value accounting required by Statement of Financial Accounting Standards No. 133 or any related subsequent Statement of Financial Accounting Standards or Accounting Standards Codification;
- (xii) accruals and reserves that are established within twelve (12) months after the closing of any acquisition that are so required to be established as a result of such acquisition in accordance with GAAP not to exceed \$10.0 million in any calendar year;
- (xiii) any fees, expenses, charges or Integration Costs incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, Asset Sale, disposition, Incurrence or repayment of Debt (including such fees, expenses



**Table of Contents**

or charges related to any Credit Facility), issuance of Capital Interests, refinancing transaction or amendment or modification of any debt instrument, and including, in each case, any such transaction undertaken but not completed, and any charges or non-recurring merger or acquisition costs incurred during such period as a result of any such transaction, in each case whether or not successful;

- (xiv) any net unrealized gain or loss (after any offset) resulting from currency translation gains or losses related to currency remeasurements of Debt (including any net gain or loss resulting from obligations under Hedging Obligations for currency exchange risk) and any foreign currency translation gains or losses;
  - (xv) any accruals and reserves that are established for expenses and losses, in respect of equity based awards compensation expense (*provided* that if any such non-cash charges represent an accrual or reserve for potential cash items in any future period, the cash payment in respect thereof in such future period shall reduce Consolidated Net Income to such extent, and excluding amortization of a prepaid cash item that was paid in a prior period);
  - (xvi) any expenses, charges or losses that are covered by indemnification or other reimbursement provisions in connection with any Permitted Investment or any sale, conveyance, transfer or other disposition of assets permitted under the Indenture, to the extent actually reimbursed, or, so long as the Company has made a determination that a reasonable basis exists for indemnification or reimbursement and only to the extent that such amount is in fact indemnified or reimbursed within 365 days of such determination (with a deduction in the applicable future period for any amount so added back to the extent not so indemnified or reimbursed within such 365 days); and
  - (xvii) to the extent covered by insurance and actually reimbursed, or, so long as the Company has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is in fact reimbursed within 365 days of the date of such determination (with a deduction in the applicable future period for any amount so added back to the extent not so reimbursed within such 365 days), expenses, charges or losses with respect to liability or casualty events or business interruption; and
- (B) including, without duplication, dividends and distributions from joint ventures actually received in cash by the Company.

*Consolidated Non-cash Charges* means, with respect to any Person for any period, the aggregate depreciation, amortization (including amortization of goodwill, other intangibles, deferred financing fees, debt issuance costs, commissions, fees and expenses) and other non-cash expenses of such Person and its Restricted Subsidiaries reducing Consolidated Net Income of such Person and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP (excluding any such charges constituting an extraordinary item or loss and excluding any such charges constituting an extraordinary item or loss or any charge which requires an accrual of or a reserve for cash charges for any future period).

*Consolidated Secured Leverage Ratio* means, with respect to any Person, the ratio of the aggregate amount of all Debt secured by Liens of such Person and its Restricted Subsidiaries at the end of the most recent fiscal period for which financial information in respect thereof is available immediately preceding the date of the transaction (the *Transaction Date* ) giving rise to the need to calculate the Consolidated Secured Leverage Ratio to the aggregate amount of Consolidated Cash Flow Available for Fixed Charges of such Person for the four full fiscal quarters, treated as one period, for which financial information in respect thereof is available immediately preceding the Transaction



Date (such four full fiscal quarter period being referred to herein as the *Four Quarter Period* ). In addition to and without limitation of the foregoing, this ratio shall be

S-62

---

**Table of Contents**

calculated after giving effect (i) to the cost of any compensation, remuneration or other benefit paid or provided to any employee, consultant, Affiliate, equity owner of the entity involved in any Asset Acquisition to the extent such costs are eliminated or reduced (or public announcement has been made of the intent to eliminate or reduce such costs) prior to the date of such calculation and not replaced; and (ii) on a *pro forma* basis for the period of such calculation, to any Asset Sales or other dispositions or Asset Acquisitions, Investments, mergers, consolidations, discontinued operations (as determined in accordance with GAAP) or designations of any Restricted Subsidiary as an Unrestricted Subsidiary or any Unrestricted Subsidiary as a Restricted Subsidiary occurring during the Four Quarter Period or any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such Asset Sale or other disposition or Asset Acquisition (including the Incurrence or assumption of any such Acquired Debt), Investment, merger, consolidation, disposed operation or designation occurred on the first day of the Four Quarter Period. For purposes of this definition, *pro forma* calculations shall be made in accordance with Article 11 of Regulation S X promulgated under the Securities Act, except that such *pro forma* calculations may also include operating expense reductions for such period resulting from the Asset Sale or other disposition or Asset Acquisition, investment, merger, consolidation or discontinued operation (as determined in accordance with GAAP) for which *pro forma* effect is being given (A) that have been realized or (B) for which steps have been taken or are reasonably expected to be taken within six (6) months of the date of such transaction and are supportable and quantifiable and, in each case, including, but not limited to, (a) reduction in personnel expenses, (b) reduction of costs related to administrative functions, (c) reduction of costs related to leased or owned properties and (d) reductions from the consolidation of operations and streamlining of corporate overhead, *provided* that, in either case, such adjustments are set forth in an Officer's Certificate signed by the Company's chief financial or similar officer that states (i) the amount of such adjustment or adjustments and (ii) that such adjustment or adjustments are based on the reasonable good faith belief of the Officers executing such Officer's Certificate at the time of such execution.

*Consolidated Total Assets* of any Person as of any date means the total assets of such Person and its Restricted Subsidiaries as of the most recent fiscal quarter end for which an internal consolidated balance sheet of such Person and its Subsidiaries is available, all calculated on a consolidated basis in accordance with GAAP.

*Credit Agreement* means the Company's credit agreement, dated as of January 3, 2008, by and among the Company, the lenders party thereto, Citicorp USA, Inc., as administrative agent and as issuing bank, and The Bank of New York, as paying agent, together with all related notes, letters of credit, collateral documents, guarantees, and any other related agreements and instruments executed and delivered in connection therewith, in each case as amended, modified, supplemented, restated, refinanced, refunded or replaced in whole or in part (including by sales of debt securities) from time to time including by or pursuant to any agreement or instrument (including an indenture) that extends the maturity of any Debt thereunder, or increases the amount of available borrowings thereunder (*provided* that such increase in borrowings is permitted under clause (i) or (xv) of the definition of the term "Permitted Debt"), or adds Subsidiaries of the Company as additional borrowers or guarantors thereunder, in each case with respect to such agreement or any successor or replacement agreement and whether by the same or any other agent, lender, group of lenders, purchasers or debt holders.

*Credit Facilities* means one or more credit facilities (including the Credit Agreement), commercial paper facilities or indentures, in each case with banks or other lenders, investors or a trustee providing for revolving loans, term loans, the issuance of letters of credit or bankers' acceptances, receivables financings or the issuance of debt securities.

*Debt* means at any time (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person, or non-recourse, the following: (i) all indebtedness of such Person for money borrowed or for the deferred purchase price of property, excluding any trade payables or other current liabilities incurred in the normal course of business; (ii) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments; (iii) all reimbursement obligations of such Person with



**Table of Contents**

respect to letters of credit (other than letters of credit that are secured by cash or Eligible Cash Equivalents), bankers acceptances or similar facilities (excluding obligations in respect of letters of credit or bankers' acceptances issued in respect of trade payables) issued for the account of such Person; *provided* that such obligations shall not constitute Debt except to the extent drawn and not repaid within five business days; (iv) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property or assets acquired by such Person; (v) all Capital Lease Obligations of such Person; (vi) the maximum fixed redemption or repurchase price of Redeemable Capital Interests in such Person at the time of determination; (vii) any Swap Contracts and Hedging Obligations of such Person at the time of determination; (viii) Attributable Debt with respect to any Sale and Leaseback Transaction to which such Person is a party; and (ix) all obligations of the types referred to in clauses (i) through (viii) of this definition of another Person, the payment of which, in either case, (A) such Person has Guaranteed or (B) is secured by (or the holder of such Debt or the recipient of such dividends or other distributions has an existing right, whether contingent or otherwise, to be secured by) any Lien upon the property or other assets of such Person, even though such Person has not assumed or become liable for the payment of such Debt. For purposes of the foregoing: (a) the maximum fixed repurchase price of any Redeemable Capital Interests that do not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Capital Interests as if such Redeemable Capital Interests were repurchased on any date on which Debt shall be required to be determined pursuant to the Indenture; *provided, however*, that, if such Redeemable Capital Interests are not then permitted to be repurchased, the repurchase price shall be the book value of such Redeemable Capital Interests; (b) the amount outstanding at any time of any Debt issued with original issue discount shall be the principal amount of such Debt less the remaining unamortized portion of the original issue discount of such Debt at such time as determined in conformity with GAAP, but such Debt shall be deemed Incurred only as of the date of original issuance thereof; (c) the amount of any Debt described in clause (vii) is the net amount payable (after giving effect to permitted set off) if such Swap Contracts or Hedging Obligations are terminated at that time due to default of such Person; (d) the amount of any Debt described in clause (ix)(A) above shall be the maximum liability under any such Guarantee; (e) the amount of any Debt described in clause (ix)(B) above shall be the lesser of (I) the maximum amount of the obligations so secured and (II) the Fair Market Value of such property or other assets; and (f) interest, fees, premium, and expenses and additional payments, if any, will not constitute Debt. For purposes of determining any particular amount of Debt, Guarantees, Liens, obligations with respect to letters of credit and other obligations supporting Debt otherwise included in the determination of a particular amount will not be included.

Notwithstanding the foregoing, the term Debt will exclude (a) any endorsements for collection or deposits in the ordinary course of business, (b) any realization of a Permitted Lien, (c) Debt that has been defeased or satisfied in accordance with the terms of the documents governing such Debt, and (d) in connection with the purchase by the Company or any Restricted Subsidiary of any business, (x) customary indemnification obligations and (y) post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment is otherwise contingent; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 60 days thereafter.

The amount of Debt of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, only upon the occurrence of the contingency giving rise to the obligations, of any contingent obligations at such date; *provided, however*, that in the case of Debt sold at a discount, the amount of such Debt at any time will be the accreted value thereof at such time. If such Person or any of its Restricted Subsidiaries directly or indirectly Guarantees Debt of a third Person, the amount of Debt of such Person shall give effect to the Incurrence of such Guaranteed Debt as if such Person or such Subsidiary had directly Incurred or otherwise assumed such Guaranteed Debt.

*Default* means any event that is, or after notice or passage of time, or both, would be, an Event of Default.



**Table of Contents**

*Designated Non-cash Consideration* means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Eligible Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

*Eligible Bank* means a bank or trust company that (i) is licensed, chartered or organized and existing under the laws of the United States of America or Canada, or any state, territory, province or possession thereof, (ii) as of the time of the making or acquisition of an Investment in such bank or trust company, has combined capital and surplus in excess of \$500.0 million and (iii) the senior Debt of which is rated at least A-2 by Moody's or at least A by S&P.

*Eligible Cash Equivalents* means any of the following Investments: (i) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (*provided* that the full faith and credit of the United States is pledged in support thereof) maturing not more than one year after the date of acquisition; (ii) time deposits in and certificates of deposit of any Eligible Bank, *provided* that such Investments have a maturity date not more than two years after date of acquisition and that the Average Life of all such Investments is one year or less from the respective dates of acquisition; (iii) repurchase obligations with a term of not more than 180 days for underlying securities of the types described in clause (i) above entered into with any Eligible Bank; (iv) direct obligations issued by any state of the United States or any political subdivision or public instrumentality thereof, *provided* that such Investments mature, or are subject to tender at the option of the holder thereof, within 365 days after the date of acquisition and, at the time of acquisition, have a rating of at least A from S&P or A-2 from Moody's (or an equivalent rating by any other nationally recognized rating agency); (v) commercial paper of any Person other than an Affiliate of the Company and other than structured investment vehicles, *provided* that such Investments have one of the two highest ratings obtainable from either S&P or Moody's and mature within 180 days after the date of acquisition; (vi) overnight and demand deposits in and bankers' acceptances of any Eligible Bank and demand deposits in any bank or trust company to the extent insured by the Federal Deposit Insurance Corporation against the Bank Insurance Fund; (vii) money market funds substantially all of the assets of which comprise Investments of the types described in clauses (i) through (vi); and (viii) instruments equivalent to those referred to in clauses (i) through (vi) above or funds equivalent to those referred to in clause (vii) above denominated in U.S. dollars, Euros or any other foreign currency comparable in credit quality and tenor to those referred to in such clauses and customarily used by corporations for cash management purposes in jurisdictions outside the United States to the extent reasonably required in connection with any business conducted by any Restricted Subsidiary organized in such jurisdiction, all as determined in good faith by the Company.

*Exchange Act* means the Securities Exchange Act of 1934, as amended.

*Expiration Date* has the meaning set forth in the definition of Offer to Purchase.

*Fair Market Value* means, with respect to the consideration received or paid in any transaction or series of transactions, the fair market value thereof as determined in good faith by the Company. In the case of a transaction between the Company or a Restricted Subsidiary, on the one hand, and a Receivable Subsidiary, on the other hand, if the Company determines in its sole discretion that such determination is appropriate, a determination as to Fair Market Value may be made at the commencement of the transaction and be applicable to all dealings between the Receivable Subsidiary and the Company or such Restricted Subsidiary during the course of such transaction.

*Foreign Holdco* means PolyOne LLC and any other Subsidiary substantially all business and purpose of which is the holding of stock of Subsidiaries that are CFC's which shall be disclosed in writing by the Company to the Trustee as being a Foreign Holdco from time to time after the Issue Date and which, in all cases, do not engage in any

business or activity other than: (a) the ownership of CFCs, (b) maintaining its

S-65

---

**Table of Contents**

corporate existence, (c) participating in tax, accounting and other administrative activities as the parent of a CFC, (d) the execution and delivery of any agreements or other documents related to or entered into in connection with any Credit Facilities or the performance of its obligations under any such agreement or documents, (e) the execution and delivery of the Indenture and the Note Guarantee to which it is a party and the performance of its obligations thereunder, (f) in the case of PolyOne LLC and any other Foreign Holdco existing on the Issue Date the continuation of activities being conducted by them on the Issue Date so long as there is no material change in the nature or material increase in the relative quantity of such activities thereafter and (g) activities incidental to the businesses or activities described in clauses (a) through (f) of this definition.

*Foreign Subsidiary* means any Restricted Subsidiary of the Company that is (1) a controlled foreign corporation under Section 957 of the Code or (2) a Subsidiary of an entity described in the preceding clause (1).

*Four Quarter Period* has the meaning set forth in the definition of Consolidated Fixed Charge Coverage Ratio.

*GAAP* means generally accepted accounting principles in the United States, consistently applied, as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect as of the Issue Date.

*Guarantee* means, as applied to any Debt of another Person, (i) a guarantee (other than by endorsement of negotiable instruments for collection in the normal course of business), direct or indirect, in any manner, of any part or all of such Debt, (ii) any direct or indirect obligation, contingent or otherwise, of a Person guaranteeing or having the effect of guaranteeing the Debt of any other Person in any manner and (iii) an agreement of a Person, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment (or payment of damages in the event of non-payment) of all or any part of such Debt of another Person (and *Guaranteed* and *Guaranteeing* shall have meanings that correspond to the foregoing); *provided, however*, that the term *Guarantee* shall not include a contractual commitment by one Person to invest in another Person for so long as such Investment is reasonably expected to constitute a Permitted Investment.

*Guarantor* means any Person that executes a Note Guarantee in accordance with the provisions of the Indenture and their respective successors and assigns.

*Hedging Obligations* of any Person means the obligations of such Person pursuant to any interest rate agreement, currency agreement or commodity agreement, excluding commodity agreements relating to raw materials used in the ordinary course of the Company's business.

*Holder* means a Person in whose name a Note is registered in the security register.

*Immaterial Subsidiary* means as of any date of determination, any Subsidiary that, together with its Subsidiaries on a consolidated basis, during the twelve months preceding such date of determination accounts for (or to which may be attributed) 2.5% or less of the net income or assets (determined on a consolidated basis) of the Company and its Subsidiaries; *provided* that the aggregate consolidated income or assets for all Immaterial Subsidiaries shall not at any time exceed 5.0% of the total net income or assets of the Company and its Subsidiaries.

*Incur* means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Debt or other obligation or the recording, as required pursuant to GAAP or otherwise, of any such Debt or other





**Table of Contents**

obligation on the balance sheet of such Person; *provided, however*, that a change in GAAP or an interpretation thereunder that results in an obligation of such Person that exists at such time becoming Debt shall not be deemed an Incurrence of such Debt. Debt otherwise Incurred by a Person before it becomes a Subsidiary of the Company shall be deemed to be Incurred at the time at which such Person becomes a Subsidiary of the Company. *Incurrence, Incurred, Incurable* and *Incurring* shall have meanings that correspond to the foregoing. A Guarantee by the Company or a Restricted Subsidiary of Debt Incurred by the Company or a Restricted Subsidiary, as applicable, shall not be a separate Incurrence of Debt. In addition, the following shall not be deemed a separate Incurrence of Debt:

- (1) amortization of debt discount or accretion of principal with respect to a non-interest bearing or other discount security;
- (2) the payment of regularly scheduled interest in the form of additional Debt of the same instrument or the payment of regularly scheduled dividends on Capital Interests in the form of additional Capital Interests of the same class and with the same terms;
- (3) the obligation to pay a premium in respect of Debt arising in connection with the issuance of a notice of redemption or making of a mandatory offer to purchase such Debt; and
- (4) unrealized losses or charges in respect of Hedging Obligations.

*Integration Costs* means, with respect to any acquisition, all costs relating to the integration of the acquired business or operations into the Company's, including labor costs, consulting fees, travel costs and any other expenses relating to the integration process.

*Investment* by any Person means any direct or indirect loan, advance, guarantee for the benefit of (or other extension of credit) or capital contribution to (by means of any transfer of cash or other property or assets to another Person or any other payments for property or services for the account or use of another Person) another Person, including, without limitation, the following: (i) the purchase or acquisition of any Capital Interest or other evidence of beneficial ownership in another Person; (ii) the purchase, acquisition or Guarantee of the Debt of another Person; and (iii) the purchase or acquisition of the business or assets of another Person substantially as an entirety, but shall exclude: (a) accounts receivable and other extensions of trade credit in accordance with the Company's customary practices; (b) the acquisition of property and assets from suppliers and other vendors in the normal course of business; and (c) prepaid expenses and workers' compensation, utility, lease and similar deposits in the normal course of business.

*Issue Date* means the date of original issuance of the Notes under the Indenture.

*Lien* means, with respect to any property or other asset, any mortgage, deed of trust, deed to secure debt, pledge, hypothecation, assignment, deposit arrangement, security interest, lien (statutory or otherwise), charge, easement, encumbrance, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or other asset (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

*Moody's* means Moody's Investors Service, Inc. and any successor to its rating agency business.

*Net Cash Proceeds* means, with respect to Asset Sales of any Person, cash and Eligible Cash Equivalents received, net of: (i) all reasonable out-of-pocket costs and expenses of such Person incurred in connection with such a sale, including, without limitation, all legal, accounting, title and recording tax expenses, commissions and other fees and expenses incurred and all federal, state, foreign and local taxes arising in connection with such an Asset Sale that are

paid or required to be accrued as a liability under GAAP by such Person; (ii) all payments made by such Person on any Debt that is secured by such properties

S-67

---

**Table of Contents**

or other assets in accordance with the terms of any Lien upon or with respect to such properties or other assets or that must, by the terms of such Lien or such Debt, or in order to obtain a necessary consent to such transaction or by applicable law, be repaid to any other Person (other than the Company or a Restricted Subsidiary thereof) in connection with such Asset Sale; (iii) all contractually required distributions and other payments made to minority interest holders in Restricted Subsidiaries of such Person as a result of such transaction; (iv) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property disposed of in such Asset Sale and retained by the Company or any Restricted Subsidiary after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale; and (v) payments of unassumed liabilities (not constituting Debt) relating to the property sold at the time of, or within 30 days after, the date of such sale; *provided, however*, that: (a) in the event that any consideration for an Asset Sale (which would otherwise constitute Net Cash Proceeds) is required by (I) contract to be held in escrow pending determination of whether a purchase price adjustment will be made or (II) GAAP to be reserved against other liabilities in connection with such Asset Sale, such consideration (or any portion thereof) shall become Net Cash Proceeds only at such time as it is released to such Person from escrow or otherwise; and (b) any non-cash consideration received in connection with any transaction subsequently converted to cash shall become Net Cash Proceeds only at such time as it is so converted.

*Non-Recourse Receivable Subsidiary Indebtedness* has the meaning set forth in the definition of *Receivable Subsidiary*.

*Obligations* means any principal, premium, interest (including any interest accruing subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and banker's acceptances), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Debt.

*Offer* has the meaning set forth in the definition of *Offer to Purchase*.

*Offer to Purchase* means a written offer (the *Offer*) sent by the Company, with a copy to the Trustee, by first class mail, postage prepaid, to each Holder at its address appearing in the security register on the date of the Offer, offering to purchase up to the aggregate principal amount of Notes set forth in such Offer at the purchase price set forth in such Offer (as determined pursuant to the Indenture). Unless otherwise required by applicable law, the offer shall specify an expiration date (the *Expiration Date*) of the Offer to Purchase which shall be, subject to any contrary requirements of applicable law, not less than 30 days or more than 60 days after the date of mailing of such Offer and a settlement date (the *Purchase Date*) for purchase of Notes within five business days after the Expiration Date and, in connection with a Change of Control, such Purchase Date may be no earlier than the date of the consummation of the Change of Control. The Company shall notify the Trustee at least 15 days (or such shorter period as is acceptable to the Trustee) prior to the mailing of the Offer of the Company's obligation to make an Offer to Purchase, and the Offer shall be mailed by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company. The Offer shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase. The Offer shall also state:

- (1) the section of the Indenture pursuant to which the Offer to Purchase is being made;
- (2) the Expiration Date and the Purchase Date;

- (3) the aggregate principal amount of the outstanding Notes offered to be purchased pursuant to the Offer to Purchase (including, if less than 100%, the manner by which such amount has been

S-68

---

**Table of Contents**

- determined pursuant to Indenture covenants requiring the Offer to Purchase) (the *Purchase Amount* );
- (4) the purchase price to be paid by the Company for each \$2,000 principal amount of Notes (and integral multiples of \$1,000 in excess thereof) accepted for payment (as specified pursuant to the Indenture) (the *Purchase Price* );
  - (5) that the Holder may tender all or any portion of the Notes registered in the name of such Holder and that any portion of a Note tendered must be tendered in a minimum amount of \$2,000 principal amount (and integral multiples of \$1,000 in excess thereof);
  - (6) the place or places where Notes are to be surrendered for tender pursuant to the Offer to Purchase, if applicable;
  - (7) that, unless the Company defaults in making such purchase, any Note accepted for purchase pursuant to the Offer to Purchase will cease to accrue interest on and after the Purchase Date, but that any Note not tendered or tendered but not purchased by the Company pursuant to the Offer to Purchase will continue to accrue interest at the same rate;
  - (8) that, on the Purchase Date, the Purchase Price will become due and payable upon each Note accepted for payment pursuant to the Offer to Purchase;
  - (9) that each Holder electing to tender a Note pursuant to the Offer to Purchase will be required to surrender such Note or cause such Note to be surrendered at the place or places set forth in the Offer prior to the close of business on the Expiration Date (such Note being, if the Company or the Trustee so requires, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing);
  - (10) that Holders will be entitled to withdraw all or any portion of Notes tendered if the Company (or its paying agent) receives, not later than the close of business on the Expiration Date, a facsimile transmission or letter setting forth the name of the Holder, the aggregate principal amount of the Notes the Holder tendered, the certificate number of the Note the Holder tendered and a statement that such Holder is withdrawing all or a portion of his tender;
  - (11) that (a) if Notes having an aggregate principal amount less than or equal to the Purchase Amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, the Company shall purchase all such Notes and (b) if Notes having an aggregate principal amount in excess of the Purchase Amount are tendered and not withdrawn pursuant to the Offer to Purchase, the Company shall purchase Notes having an aggregate principal amount equal to the Purchase Amount on a *pro rata* basis (with such adjustments as may be deemed appropriate so that only Notes in denominations of \$2,000 principal amount or integral multiples of \$1,000 in excess thereof shall be purchased); and
  - (12) if applicable, that, in the case of any Holder whose Note is purchased only in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Note without service charge, a new Note or Notes, of any authorized denomination as requested by such Holder, in the aggregate principal amount equal to and in exchange for the unpurchased portion of the aggregate principal amount of the Notes so tendered.

*Officer s Certificate* means a certificate signed by the chairman of the board, the chief executive officer, the president, the chief operating officer, the chief financial officer, the treasurer, any assistant treasurer, the controller, the secretary or any vice president.

S-69

---

**Table of Contents**

*Permitted Business* means any business similar in nature to any business conducted by the Company and the Restricted Subsidiaries on the Issue Date and any business reasonably ancillary, incidental, complementary or related to, or a reasonable extension, development or expansion of, the business conducted by the Company and the Restricted Subsidiaries on the Issue Date, in each case, as determined in good faith by the Company.

*Permitted Debt* means

- (i) Debt Incurred pursuant to any Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed (x) the greater of (A) \$325.0 million less any amount used to permanently repay Obligations (or permanently reduce revolving commitments) under such Credit Facilities pursuant to the Limitation on Asset Sales covenant and (B) the sum of (1) 50% of the book value of the inventory of the Company and its Restricted Subsidiaries and (2) 75% of the accounts receivable of the Company and its Restricted Subsidiaries, in each case determined on a consolidated basis as of the most recently ended fiscal quarter of the Company for which financial information in respect thereof is available minus (y), without duplication, any amounts Incurred and outstanding pursuant to a Qualified Receivables Transaction permitted under clause (xvi) below;
- (ii) Debt under the Notes issued on the Issue Date and contribution, indemnification and reimbursement obligations owed by the Company or any Guarantor to any of the other of them in respect of amounts paid or payable on such Notes;
- (iii) Guarantees of the Notes;
- (iv) Debt of the Company or any Restricted Subsidiary outstanding on the Issue Date (other than (A) clauses (i), (ii) or (iii) above and (B) Debt being repaid with the proceeds of this offering);
- (v) Debt owed to and held by the Company or a Restricted Subsidiary;
- (vi) Guarantees Incurred by the Company of Debt of a Restricted Subsidiary otherwise permitted to be incurred under the Indenture;
- (vii) Guarantees by any Restricted Subsidiary of Debt of the Company or any Restricted Subsidiary, including Guarantees by any Restricted Subsidiary of Debt under the Credit Agreement, *provided* that (a) such Debt is Permitted Debt or is otherwise Incurred in accordance with the Limitation on Incurrence of Debt covenant and (b) such Guarantees are subordinated to the Notes to the same extent as the Debt being Guaranteed;
- (viii) Debt incurred in respect of workers' compensation claims and self-insurance obligations, and, for the avoidance of doubt, indemnity, bid, performance, warranty, release, appeal, surety and similar bonds, standby letters of credit, letters of credit for operating purposes and completion guarantees provided or incurred (including Guarantees thereof) by the Company or a Restricted Subsidiary in the ordinary course of business;
- (ix) Debt under Swap Contracts and Hedging Obligations;
- (x) Debt owed by the Company to any Restricted Subsidiary, or by any Restricted Subsidiary to the Company or to any other Restricted Subsidiary, *provided* that if for any reason such Debt ceases to be held by the Company or a Restricted Subsidiary, as applicable, such Debt shall cease to be



Permitted Debt and shall be deemed Incurred as Debt of the Company for purposes of the Indenture;

S-70

---

**Table of Contents**

- (xi) Debt of the Company or any Restricted Subsidiary pursuant to Capital Lease Obligations, Synthetic Lease Obligations and Purchase Money Debt, *provided* that the aggregate principal amount of such Debt outstanding at any time may not exceed the greater of (x) \$125.0 million in the aggregate and (y) 7.5% of Consolidated Total Assets;
- (xii) Debt arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, contribution, earnout, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Interests of a Restricted Subsidiary otherwise permitted under the Indenture;
- (xiii) the issuance by any of the Company's Restricted Subsidiaries to the Company or to any of its Restricted Subsidiaries of shares of Preferred Interests; *provided, however*, that:
  - (a) any subsequent issuance or transfer of Capital Interests that results in any such Preferred Interests being held by a Person other than the Company or a Restricted Subsidiary; and
  - (b) any sale or other transfer of any such Preferred Interests to a Person that is not either the Company or a Restricted Subsidiary

shall be deemed, in each case, to constitute an issuance of such Preferred Interests by such Restricted Subsidiary that was not permitted by this clause (xiii);

- (xiv) Debt arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Debt is extinguished within five business days of Incurrence;
- (xv) Debt of the Company or any Restricted Subsidiary not otherwise permitted pursuant to this definition, in an aggregate principal amount not to exceed \$50.0 million at any one time outstanding;
- (xvi) Purchase Money Notes Incurred by any Receivable Subsidiary that is a Restricted Subsidiary in a Qualified Receivables Transaction and Non-Recourse Receivable Subsidiary Indebtedness;
- (xvii) Debt of the Company to the extent the net proceeds thereof are promptly deposited to defease the Notes under Defeasance as described above;
- (xviii) Guarantees in the ordinary course of business of the obligations of suppliers, customers, franchisees and licensees of the Company or any of its Restricted Subsidiaries;
- (xix) Debt consisting of take-or-pay obligations on customary business terms contained in supply agreements entered into in the ordinary course of business; and
- (xx) Refinancing Debt.

Notwithstanding anything herein to the contrary, Debt permitted under clauses (i), (xi) and (xv) of this definition of Permitted Debt shall not constitute Refinancing Debt under clause (xx) of this definition of Permitted Debt.

**Table of Contents**

*Permitted Investments* means:

- (a) Investments in existence on the Issue Date and any extensions or replacements thereof on terms no less favorable and in amounts no greater than exist on the Issue Date;
- (b) Investments in cash and Eligible Cash Equivalents;
- (c) Investments in property and other assets owned or used by the Company or any Restricted Subsidiary in the normal course of business;
- (d) prepaid expenses, negotiable instruments held for collection, lease, utility, workers compensation, performance and other similar deposits provided to third parties in the ordinary course of business;
- (e) Investments by the Company or any of its Restricted Subsidiaries in the Company or any Restricted Subsidiary;
- (f) Investments by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment (A) such Person becomes a Restricted Subsidiary or (B) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated or wound-up into, the Company or a Restricted Subsidiary;
- (g) Swap Contracts and Hedging Obligations;
- (h) receivables owing to the Company or any of its Subsidiaries and advances to suppliers, in each case if created, acquired or made in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (i) Investments received in settlement of obligations owed to the Company or any Restricted Subsidiary and as a result of bankruptcy or insolvency proceedings or upon the foreclosure or enforcement of any Lien in favor of the Company or any Restricted Subsidiary;
- (j) Investments by the Company or any Restricted Subsidiary not otherwise permitted under this definition, in an aggregate amount not to exceed the greater of (x) \$75.0 million and (y) 5.0% of Consolidated Total Assets at any one time outstanding;
- (k) loans (and Guarantees of third-party loans) and advances to officers, directors and employees of the Company and Subsidiaries in an aggregate amount not to exceed \$10.0 million in the aggregate at any one time outstanding, for travel, entertainment, relocation and analogous ordinary business purposes;
- (l) Investments the payment for which consists solely of Capital Interests of the Company;
- (m) any Investment in any Person to the extent such Investment represents the non-cash portion of the consideration received in connection with an Asset Sale consummated in compliance with the covenant described under Certain Covenants Limitation on Asset Sales or any other disposition of Property not constituting an Asset Sale;
- (n) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of

business and consistent with past practice;

S-72

---

**Table of Contents**

- (o) Guarantees by the Company or any Restricted Subsidiary of Debt of the Company or a Restricted Subsidiary (other than a Receivables Subsidiary) of Debt otherwise permitted by the covenant described hereunder Certain Covenants Limitation on Incurrence of Debt ;
- (p) any Investment by the Company or any Restricted Subsidiary in a Receivable Subsidiary or any Investment by a Receivable Subsidiary in any other Person in connection with a Qualified Receivables Transaction, so long as any Investment in a Receivable Subsidiary is in the form of a Purchase Money Note or an Investment in Capital Interests;
- (q) loans or advances to customers or suppliers in the ordinary course of business; and
- (r) Investments in any Person made in exchange for, out of the net cash proceeds of the substantially concurrent sale of, Capital Interests of the Company (other than Redeemable Capital Interests).

*Permitted Liens* means:

- (a) Liens existing at the Issue Date (other than Liens securing the Credit Agreement);
- (b) Liens that secure (A) Credit Facilities incurred pursuant to clause (i) of the definition of Permitted Debt and/or the provisions described in the first paragraph of Certain Covenants Limitation on Incurrence of Debt in an aggregate principal amount not to exceed the greater of (x) the greater of (A) \$325.0 million and (B) the sum of (1) 50% of the book value of the inventory of the Company and its Restricted Subsidiaries and (2) 75% of the accounts receivable of the Company and its Restricted Subsidiaries, in each case determined on a consolidated basis as of the most recently ended fiscal quarter of the Company for which financial information in respect thereof is available, and (y) an amount that does not cause the Consolidated Secured Leverage Ratio to exceed 2.0 to 1.0, (B) Hedging Obligations and Swap Contracts relating to such Credit Facilities and permitted under the agreements related thereto and (C) fees, expenses and other amounts payable under such Credit Facilities or payable pursuant to cash management agreements or agreements with respect to similar banking services relating to such Credit Facilities and permitted under the agreements related thereto;
- (c) any Lien for taxes or assessments or other governmental charges or levies not then due and payable (or which, if due and payable, are being contested in good faith and for which adequate reserves are being maintained, to the extent required by GAAP);
- (d) any warehousemen s, materialmen s, landlord s or other similar Liens arising by law for sums not then due and payable (or which, if due and payable, are being contested in good faith and with respect to which adequate reserves are being maintained, to the extent required by GAAP);
- (e) survey exceptions, encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other similar restrictions as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not individually or in the aggregate materially adversely affect the value of the Company or materially impair the operation of the business of such Person;
- (f) pledges or deposits (i) in connection with workers compensation, unemployment insurance and other types of statutory obligations or the requirements of any official body; (ii) to secure the performance

of tenders, bids, surety or performance bonds, leases, purchase, construction, sales or servicing contracts (including utility contracts) and other similar obligations Incurred

S-73

---

**Table of Contents**

in the normal course of business consistent with industry practice; (iii) to obtain or secure obligations with respect to letters of credit, Guarantees, bonds or other sureties or assurances given in connection with the activities described in clauses (i) and (ii) above, in each case not Incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property or services or imposed by ERISA or the Code in connection with a plan (as defined in ERISA); or (iv) arising in connection with any attachment unless such Liens shall not be satisfied or discharged or stayed pending appeal within 60 days after the entry thereof or the expiration of any such stay;

- (g) Liens on property or assets existing at the time of acquisition thereof; *provided* that such Liens are not extended to the property and assets of the Company and its Restricted Subsidiaries other than the property or assets acquired;
- (h) Liens on property or assets of a Person existing at the time such Person is merged with or into or consolidated with the Company or a Restricted Subsidiary, or becomes a Restricted Subsidiary (and not created or Incurred in anticipation of such transaction); *provided* that such Liens are not extended to the property and assets of the Company and its Restricted Subsidiaries other than the property or assets acquired;
- (i) Liens securing Debt of a Restricted Subsidiary owed to and held by the Company or a Restricted Subsidiary thereof;
- (j) for the avoidance of doubt, other Liens (not securing Debt) incidental to the conduct of the business of the Company or any of its Restricted Subsidiaries, as the case may be, or the ownership of their assets which do not individually or in the aggregate materially adversely affect the value of the Company or materially impair the operation of the business of the Company or its Restricted Subsidiaries;
- (k) Liens in favor of customs or revenue authorities arising as a matter of law to secure payment of custom duties in connection with the importation of goods incurred in the ordinary course of business;
- (l) licenses of intellectual property granted in the ordinary course of business;
- (m) Liens to secure Capital Lease Obligations, Synthetic Lease Obligations and Purchase Money Debt permitted to be incurred pursuant to clause (xi) of the definition of Permitted Debt ; *provided* that such Liens do not extend to or cover any assets other than such assets acquired or constructed after the Issue Date with the proceeds of such Capital Lease Obligation, Synthetic Lease Obligation or Purchase Money Debt;
- (n) Liens in favor of the Company or any Guarantor;
- (o) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligation in respect of banker's acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment, or storage of such inventory or other goods;
- (p) Liens securing Debt Incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property, plant or equipment of such Person; *provided, however*, that

the Lien may not extend to any property owned by such Person or any of its Restricted Subsidiaries at the time the Lien is Incurred (other than assets and property affixed or appurtenant thereto and any proceeds thereof), and the Debt (other than any interest thereon) secured by the Lien may not be Incurred more than 180 days after the later of the acquisition,

S-74

---



**Table of Contents**

completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the Lien;

- (q) Liens on property or shares of Capital Interests of another Person at the time such other Person becomes a Subsidiary of such Person; *provided, however*, that (i) the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (other than assets and property affixed or appurtenant thereto and any proceeds thereof) and (ii) such Liens are not created or incurred in connection with, or in contemplation of, such other Person becoming such a Restricted Subsidiary;
- (r) Liens (i) that are contractual rights of set-off (A) relating to the establishment of depository relations with banks not given in connection with the issuance of Debt, (B) relating to pooled deposit or sweep accounts of the Company or any of its Restricted Subsidiaries to permit satisfaction of overdraft or similar obligations and other cash management activities incurred in the ordinary course of business of the Company and or any of its Restricted Subsidiaries or (C) relating to purchase orders and other agreements entered into with customers of the Company or any of its Restricted Subsidiaries in the ordinary course of business and (ii) of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection, (Y) encumbering reasonable customary initial deposits and margin deposits and attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business, and (Z) in favor of banking institutions arising as a matter of law or pursuant to customary account agreements encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking industry;
- (s) Liens created by or resulting from any litigation or other proceedings which is being contested in good faith by appropriate proceedings, including Liens arising out of judgments or awards against the Company or any Restricted Subsidiary with respect to which the Company or such Restricted Subsidiary is in good faith prosecuting an appeal or proceedings for review or for which the time to make an appeal has not yet expired; or final unappealable judgment Liens which are satisfied within 15 days of the date of judgment; or Liens Incurred by the Company or any Restricted Subsidiary for the purpose of obtaining a stay or discharge in the course of any litigation or other proceeding to which the Company or such Restricted Subsidiary is a party;
- (t) leases, subleases, licenses or sublicenses granted to others in the ordinary course of business which do not materially interfere with the ordinary conduct of the business of the Company or any Restricted Subsidiaries and do not secure any Debt;
- (u) any interest of title of an owner of equipment or inventory on loan or consignment to the Company or any of its Restricted Subsidiaries and Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Company or any Restricted Subsidiary in the ordinary course of business;
- (v) deposits in the ordinary course of business to secure liability to insurance carriers;
- (w) Liens securing the Notes and the Note Guarantees;
- (x) Liens on the Capital Interests of a Receivables Subsidiary and accounts receivable and related assets described in the definition of Qualified Receivables Transaction, in each case, incurred in connection with a Qualified Receivables Transaction;

- (y) Liens securing Hedging Obligations and Swap Contracts so long as any related Debt is permitted to be Incurred under the Indenture;

S-75

---

**Table of Contents**

- (z) options, put and call arrangements, rights of first refusal and similar rights relating to Investments in joint ventures, partnerships and the like permitted to be made under the Indenture;
- (aa) Liens attaching to earnest money deposits (or equivalent deposits otherwise named) made in connection with proposed acquisitions in an amount not to exceed \$5.0 million;
- (bb) (i) set-off rights not otherwise set forth in clause (r) above, or (ii) Liens arising in connection with repurchase agreements that constitute Investments;
- (cc) Liens not otherwise permitted under the Indenture in an aggregate amount not to exceed \$50.0 million;
- (dd) Liens on property or assets of the Company or any Restricted Subsidiary in favor of the United States of America, any state thereof or any instrumentality of either to secure certain payments pursuant to any contract or statute; and
- (ee) Liens to secure any permitted extension, renewal, refinancing or refunding (or successive extensions, renewals, refinancings or refundings), in whole or in part, of any Debt secured by Liens referred to above; *provided* that such Liens do not extend to any other property or assets and the principal amount of the obligations secured by such Liens is not increased.

*Person* means any individual, corporation, limited liability company, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

*Preferred Interests*, as applied to the Capital Interests in any Person, means Capital Interests in such Person of any class or classes (however designated) that rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Common Interests in such Person.

*Purchase Amount* has the meaning set forth in the definition of Offer to Purchase.

*Purchase Date* has the meaning set forth in the definition of Offer to Purchase.

*Purchase Money Debt* means Debt

- (i) Incurred to finance the purchase or construction (including additions and improvements thereto) of any assets (other than Capital Interests) of such Person or any Restricted Subsidiary; and
- (ii) that is secured by a Lien on such assets where the lender's sole security is to the assets so purchased or constructed; and

in either case that does not exceed 100% of the cost and to the extent the purchase or construction prices for such assets are or should be included in addition to property, plant or equipment in accordance with GAAP.

*Purchase Money Note* means a promissory note of a Receivable Subsidiary to the Company or any Restricted Subsidiary, which note must be repaid from cash available to the Receivable Subsidiary, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts paid in connection with the purchase of newly generated

receivables. The repayment of a Purchase Money Note may be subordinated to the repayment of other liabilities of the Receivable Subsidiary on terms determined in good faith by the Company to be substantially consistent with market practice in connection with Qualified Receivables Transactions.

S-76

---

**Table of Contents**

*Purchase Price* has the meaning set forth in the definition of Offer to Purchase.

*Qualified Capital Interests* in any Person means a class of Capital Interests other than Redeemable Capital Interests.

*Qualified Equity Offering* means (i) an underwritten public equity offering of Qualified Capital Interests pursuant to an effective registration statement under the Securities Act yielding gross proceeds to either of the Company, or any direct or indirect parent company of the Company, of at least \$25.0 million or (ii) a private equity offering of Qualified Capital Interests of the Company, or any direct or indirect parent company of the Company, other than (x) any such public or private sale to an entity that is an Affiliate of the Company and (y) any public offerings registered on Form S-8; *provided* that, in the case of an offering or sale by a direct or indirect parent company of the Company, such parent company contributes to the capital of the Company the portion of the net cash proceeds of such offering or sale necessary to pay the aggregate Redemption Price (plus accrued interest to the redemption date) of the Notes to be redeemed pursuant to the provisions described under the second paragraph of Optional Redemption.

*Qualified Receivables Transaction* means any transaction or series of transactions entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or such Restricted Subsidiary transfers to (a) a Receivable Subsidiary (in the case of a transfer by the Company or any of its Restricted Subsidiaries) or (b) any other Person (in the case of a transfer by a Receivable Subsidiary), or grants a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Restricted Subsidiaries, and any assets related thereto, including, without limitation, all collateral securing such accounts receivable, all contracts and all Guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with an accounts receivable financing transaction; *provided* such transaction is on market terms as determined in good faith by the Company at the time the Company or such Restricted Subsidiary enters into such transaction.

*Receivable Subsidiary* means a Subsidiary of the Company:

- (1) that is formed solely for the purpose of, and that engages in no activities other than activities in connection with, financing accounts receivable of the Company and/or its Restricted Subsidiaries; *provided* that accounts receivable includes providing letters of credit on behalf of or for the benefit of the Company and/or its Restricted Subsidiaries;
- (2) that is designated by the Board of Directors as a Receivable Subsidiary pursuant to an Officer's Certificate that is delivered to the Trustee;
- (3) that is either (a) a Restricted Subsidiary or (b) an Unrestricted Subsidiary designated in accordance with the covenant described under Certain Covenants Limitation on Creation of Unrestricted Subsidiaries ;
- (4) no portion of the Debt or any other obligation (contingent or otherwise) of which (a) is at any time Guaranteed by the Company or any Restricted Subsidiary (excluding Guarantees of obligations (other than any Guarantee of Debt) pursuant to Standard Securitization Undertakings), (b) is at any time recourse to or obligates the Company or any Restricted Subsidiary in any way, other than pursuant to Standard Securitization Undertakings or (c) subjects any asset of the Company or any other Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings (such Debt, *Non-Recourse Receivable Subsidiary Indebtedness* );

- (5) with which neither the Company nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding other than (a) contracts, agreements, arrangements and

S-77

---

**Table of Contents**

understandings entered into in the ordinary course of business on terms no less favorable to the Company or such Restricted Subsidiary than those that might reasonably be expected to be obtained at the time from Persons that are not Affiliates of the Company in connection with a Qualified Receivables Transaction as determined in good faith by the Board of Directors of the Company, (b) fees payable in the ordinary course of business in connection with servicing accounts receivable in connection with such a Qualified Receivables Transaction as determined in good faith by the Board of Directors of the Company and (c) any Purchase Money Note issued by such Receivable Subsidiary to the Company or a Restricted Subsidiary or any letters of credit provided by such Receivable Subsidiary on behalf of or for the benefit of the Company or any Restricted Subsidiary; and

- (6) with respect to which neither the Company nor any other Restricted Subsidiary has any obligation (a) to subscribe for additional shares of Capital Interests therein or make any additional capital contribution or similar payment or transfer thereto except in connection with a Qualified Receivables Transaction or (b) to maintain or preserve the solvency or any balance sheet term, financial condition, level of income or results of operations thereof.

*Redeemable Capital Interests* in any Person means any equity security of such Person that by its terms (or by terms of any security into which it is convertible or for which it is exchangeable), or otherwise (including the passage of time or the happening of an event), is required to be redeemed, is redeemable at the option of the holder thereof in whole or in part (including by operation of a sinking fund), or is convertible or exchangeable for Debt of such Person at the option of the holder thereof, in whole or in part, at any time prior to the Stated Maturity of the Notes; *provided* that only the portion of such equity security which is required to be redeemed, is so convertible or exchangeable or is so redeemable at the option of the holder thereof before such date will be deemed to be Redeemable Capital Interests. Notwithstanding the preceding sentence, any equity security that would constitute Redeemable Capital Interests solely because the holders of the equity security have the right to require the Company to repurchase such equity security upon the occurrence of a Change of Control or an Asset Sale will not constitute Redeemable Capital Interests if the terms of such equity security provide that the Company may not repurchase or redeem any such equity security pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption *Certain Covenants Limitation on Restricted Payments*. The amount of Redeemable Capital Interests deemed to be outstanding at any time for purposes of the Indenture will be the maximum amount that the Company and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Redeemable Capital Interests or portion thereof, exclusive of accrued dividends.

*Redemption Price*, when used with respect to any Note to be redeemed, means the price at which it is to be redeemed pursuant to the Indenture.

*Refinancing Debt* means Debt that refunds, refinances, renews, replaces or extends any Debt permitted to be Incurred by the Company or any Restricted Subsidiary pursuant to the terms of the Indenture, whether involving the same or any other lender or creditor or group of lenders or creditors, but only to the extent that

- (i) the Refinancing Debt is subordinated to the Notes to at least the same extent as the Debt being refunded, refinanced, renewed, replaced or extended, if such Debt was subordinated to the Notes,
- (ii) the Refinancing Debt is scheduled to mature either (a) no earlier than the Debt being refunded, refinanced, renewed, replaced or extended or (b) at least 91 days after the maturity date of the Notes,

**Table of Contents**

- (iii) the Refinancing Debt has an Average Life at the time such Refinancing Debt is Incurred that is equal to or greater than the Average Life of the Debt being refunded, refinanced, renewed, replaced or extended,
- (iv) such Refinancing Debt is in an aggregate principal amount that is less than or equal to the sum of (a) the aggregate principal or accreted amount (in the case of any Debt issued with original issue discount, as such) then outstanding under the Debt being refunded, refinanced, renewed, replaced or extended, (b) the amount of accrued and unpaid interest, if any, and premiums owed, if any, not in excess of preexisting prepayment provisions on such Debt being refunded, refinanced, renewed, replaced or extended and (c) the amount of reasonable and customary fees, expenses and costs related to the Incurrence of such Refinancing Debt, and
- (v) such Refinancing Debt is Incurred by the same Person (or its successor) that initially Incurred the Debt being refunded, refinanced, renewed, replaced or extended, except that the Company may Incur Refinancing Debt to refund, refinance, renew, replace or extend Debt of any Restricted Subsidiary of the Company.

*Related Business Assets* means assets (other than cash or Eligible Cash Equivalents) used or useful in a Permitted Business; provided that any assets received by the Company or a Restricted Subsidiary in exchange for assets transferred by the Company or a Restricted Subsidiary shall not be deemed to be Related Business Assets if they consist of securities of a Person unless, upon receipt of the securities of such Person, such Person would become a Restricted Subsidiary.

*Restricted Payment* is defined to mean any of the following:

- (a) any dividend or other distribution declared and paid on the Capital Interests in the Company or on the Capital Interests in any Restricted Subsidiary of the Company that are held by, or declared and paid to, any Person other than the Company or a Restricted Subsidiary of the Company (other than
  - (i) dividends, distributions or payments made solely in Qualified Capital Interests in the Company and
  - (ii) dividends or distributions payable to the Company or a Restricted Subsidiary of the Company or to other holders of Capital Interests of a Restricted Subsidiary on a *pro rata* basis);
- (b) any payment made by the Company or any of its Restricted Subsidiaries to purchase, redeem, acquire or retire any Capital Interests in the Company (including the conversion into, or exchange for, Debt, of any Capital Interests) other than any such Capital Interests owned by the Company or any Restricted Subsidiary (other than a payment made solely in Qualified Capital Interests in the Company);
- (c) any payment made by the Company or any of its Restricted Subsidiaries (other than a payment made solely in Qualified Capital Interests in the Company) to redeem, repurchase, defease (including an in substance or legal defeasance) or otherwise acquire or retire for value (including pursuant to mandatory repurchase covenants), prior to any scheduled maturity, scheduled sinking fund or mandatory redemption payment, Debt of the Company or any Guarantor that is subordinate in right of payment to the Notes or Note Guarantees (excluding any Debt owed to the Company or any Restricted Subsidiary); except payments of principal and interest in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, within one year of the due date thereof;





**Table of Contents**

- (d) any Investment by the Company or a Restricted Subsidiary in any Person, other than a Permitted Investment; and
- (e) any designation of a Restricted Subsidiary as an Unrestricted Subsidiary.

*Restricted Subsidiary* means any Subsidiary that has not been designated as an Unrestricted Subsidiary in accordance with the Indenture.

*S&P* means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any successor to its rating agency business.

*Sale and Leaseback Transaction* means any direct or indirect arrangement pursuant to which property is sold or transferred by the Company or a Restricted Subsidiary and is thereafter leased back as a capital lease by the Company or a Restricted Subsidiary.

*Significant Subsidiary* has the meaning set forth in Rule 1-02 of Regulation S X under the Securities and Exchange Act, but shall not include any Unrestricted Subsidiary.

*Standard Securitization Undertakings* means representations, warranties, covenants and indemnities entered into by the Company or any Restricted Subsidiary which are reasonably customary in an accounts receivable securitization transaction as determined in good faith by the Company, including Guarantees by the Company or any Restricted Subsidiary of any of the foregoing obligations of the Company or a Restricted Subsidiary.

*Stated Maturity*, when used with respect to (i) any Note or any installment of interest thereon, means the date specified in such Note as the fixed date on which the principal amount of such Note or such installment of interest is due and payable and (ii) any other Debt or any installment of interest thereon, means the date specified in the instrument governing such Debt as the fixed date on which the principal of such Debt or such installment of interest is due and payable.

*Subsidiary* of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person.

*SunBelt Guarantee* means the Guarantee by the Company of obligations under the Guaranteed Secured Senior Notes due 2017, Series G of SunBelt Chlor Alkali Partnership pursuant to a Guarantee dated December 22, 1997 by the Company, as in effect on the Issue Date, terminating on December 22, 2017 or satisfaction of such obligations, whichever is earlier.

*Swap Contract* means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including, without limitation, any fuel price caps and fuel price collar or floor agreements and similar agreements or arrangements designed to protect against or manage fluctuations in fuel prices and any options to enter into any of the foregoing), whether or not

any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement

S-80

---

**Table of Contents**

published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a Master Agreement ), including any such obligations or liabilities under any Master Agreement.

*Synthetic Lease Obligations* means any monetary obligation of a Person under (i) a so-called synthetic, off-balance sheet or tax retention lease, or (ii) an agreement for the use or possession of property (including Sale and Leaseback Transactions), in each case, creating obligations that do not appear on the balance sheet of such Person but which, upon the application of any bankruptcy or insolvency laws to such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

*Treasury Rate* means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two business days prior to the date fixed for prepayment (or, if such Statistical Release is no longer published, any publicly available source for similar market data)) most nearly equal to the period from the redemption date to , 2015; *provided, however*, that if the period from the redemption date to , 2015 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate will be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the then remaining term of the Notes to , 2015 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

*Voting Interests* means, with respect to any Person, securities of any class or classes of Capital Interests in such Person entitling the holders thereof generally to vote on the election of members of the Board of Directors or comparable body of such Person.

**Table of Contents**

**MATERIAL U.S. FEDERAL TAX CONSIDERATIONS**

The following is a summary of the material United States federal income and estate tax considerations relating to the acquisition, ownership and disposition of the notes. It is not a complete analysis of all the potential tax considerations relating to the notes. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated under the Code, and currently effective administrative rulings and judicial decisions, all relating to the United States federal income tax treatment of debt instruments as of the date hereof. These authorities may be changed, perhaps with retroactive effect, so as to result in United States federal income tax consequences different from those set forth below.

This summary assumes that you purchased your outstanding notes upon their initial issuance at their initial offering price and you will hold your notes as capital assets for United States federal income tax purposes. This summary does not address the tax considerations arising under the laws of any foreign, state or local jurisdiction. In addition, this discussion does not address all tax considerations that may be applicable to holders particular circumstances or to holders that may be subject to special tax rules, such as, for example:

holders subject to the alternative minimum tax;

banks, insurance companies, or other financial institutions;

tax-exempt organizations;

dealers in securities or commodities;

expatriates;

traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;

U.S. Holders (as defined below) whose functional currency is not the United States dollar;

persons that will hold the notes as a position in a hedging transaction, straddle, conversion transaction or other risk reduction transaction;

persons deemed to sell the notes under the constructive sale provisions of the Code;

partnerships or other pass-through entities; or

holders whose income exceeds certain thresholds and are subject to the 3.8% Medicare Tax on certain income.

If a partnership or other entity treated as a partnership for United States federal income tax purposes holds notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership that will hold notes, you should consult your tax advisor regarding the tax consequences of holding the notes to you.

**You are urged to consult your tax advisor with respect to the application of United States federal and other applicable income tax laws to your particular situation as well as any tax consequences arising under the United States federal estate or gift tax rules or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.**

S-82

---

## **Table of Contents**

### **Consequences to U.S. Holders**

The following is a summary of the general United States federal income tax consequences that will apply to you if you are a U.S. Holder of the notes. Certain consequences to Non-U.S. Holders of the notes are described under

Consequences to Non-U.S. holders, below. U.S. Holder means a beneficial owner of a note that is, for United States federal income tax purposes:

an individual who is a citizen or resident of the United States;

a corporation or other entity treated as a corporation for United States federal income tax purposes created or organized in or under the laws of the United States or any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

### *Payments of Interest*

Stated interest on the notes will be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes.

### *Disposition of Notes*

Upon the sale, exchange, redemption or other taxable disposition of a note, you will recognize taxable gain or loss equal to the difference between the amount realized on such disposition (except to the extent any amount realized is attributable to accrued but unpaid interest, which is taxed as ordinary income to the extent not previously included in income) and your adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will equal the cost of the note to such holder.

Gain or loss recognized on the disposition of a note generally will be capital gain or loss, and will be long-term capital gain or loss if, at the time of such disposition, the U.S. Holder's holding period for the note is more than 12 months. Certain U.S. Holders, including individuals, may be eligible for reduced rates of United States federal income tax in respect of long-term capital gain. The deductibility of capital losses by U.S. Holders is subject to certain limitations.

### *Information Reporting and Backup Withholding*

In general, information reporting requirements will apply to certain payments of principal, premium (if any) and interest on and the proceeds of certain sales of notes unless you are an exempt recipient. Backup withholding (currently at a rate of 28%) will apply to such payments if you fail to provide your taxpayer identification number or certification of exempt status or have been notified by the Internal Revenue Service, or IRS, that payments to you are subject to backup withholding.

Any amounts withheld under the backup withholding rules will generally be allowed as a refund or a credit against your United States federal income tax liability provided that you furnish the required information to the IRS on a

timely basis.

S-83

---



## **Table of Contents**

### **Consequences to Non-U.S. Holders**

As used in this prospectus supplement, the term **Non-U.S. Holder** means a beneficial owner of notes that is an individual, corporation, estate or trust and is not a U.S. Holder as defined above.

### **Payments of Interest**

Under United States federal income tax law, and subject to the discussion of backup withholding below, if you are a Non-U.S. Holder of a note:

The withholding agent generally will not be required to deduct United States withholding tax from payments of interest to you if:

1. you do not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote; and
2. you are not a controlled foreign corporation that is directly or indirectly related to us through stock ownership; and
3. you are not a bank whose receipt of interest on a note is pursuant to a loan agreement entered into in the ordinary course of business; and
4. the withholding agent does not have actual knowledge or reason to know that you are a United States person (within the meaning of the Code); and

you have furnished to the withholding agent an IRS Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person;

in the case of payments made outside the United States to you at an offshore account (generally, an account maintained by you at a bank or other financial institution at any location outside the United States), you have furnished to the withholding agent documentation that establishes your identity and your status as a non-United States person;

the withholding agent has received a withholding certificate (furnished on an appropriate IRS Form W-8 or an acceptable substitute form or statement) from a person claiming to be a (1) withholding foreign partnership, (2) qualified intermediary, or (3) securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business, and such person is permitted to certify under Treasury Regulations, and does certify, either that it assumes primary withholding tax responsibility with respect to the interest payment or has received an IRS Form W-8BEN (or acceptable substitute form) from you or from other holders of notes on whose behalf it is receiving payment; or

the withholding agent otherwise possesses documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with Treasury Regulations.

If you cannot satisfy the requirements described above, payments of interest made to you on the notes will generally be subject to the 30% United States federal withholding of tax unless you provide the withholding agent either with (1) a properly executed IRS Form W-8BEN (or successor form) claiming an exemption from, or a reduction of,

withholding under the benefits of an applicable tax treaty or (2) a properly executed IRS Form W-8ECI (or successor form) stating that interest paid on the note is not subject to withholding of tax because the interest is effectively connected with your conduct of a trade or business in the

S-84

---

**Table of Contents**

United States and, generally, in the case of an applicable tax treaty, attributable to your permanent establishment in the United States.

*Disposition of Notes*

Generally, no deduction for any United States federal withholding of tax will be made from any principal payments or from gain that you realize on the sale, exchange or other disposition of your note. In addition, a Non-U.S. Holder of a note will not be subject to United States federal income tax on gain realized on the sale, exchange or other disposition of such note, unless either: (1) that gain or income is effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Holder or (2) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met. If you are described in clause (1), see *Income or Gain Effectively Connected with a United States Trade or Business*, below. If you are described in clause (2), any gain realized from the sale, redemption, exchange, retirement or other taxable disposition of the notes will be subject to United States federal income tax at a 30% rate, or lower applicable treaty rate, although the amount of gain subject to tax may be offset by certain losses.

*Income or Gain Effectively Connected with a United States Trade or Business*

If any interest on the notes or gain from the sale, redemption, exchange, retirement or other taxable disposition of the notes is effectively connected with a United States trade or business conducted by you and, generally, in the case of an applicable tax treaty, attributable to your permanent establishment in the United States, then the income or gain will be subject to United States federal income tax at regular graduated income tax rates and will not be subject to United States withholding of tax if certain certification requirements are satisfied. You can generally meet these certification requirements by providing a properly executed IRS Form W-8ECI or appropriate substitute form to us or our paying agent. If you are a corporation, the portion of your earnings and profits that is effectively connected with your United States trade or business and, generally, in the case of an applicable tax treaty, attributable to your permanent establishment in the United States may be subject to an additional branch profits tax at a 30% rate, although an applicable tax treaty may provide for a lower rate.

*Backup Withholding and Information Reporting*

Generally, information returns will be filed with the IRS in connection with payments on the notes. Information reporting may be filed with the IRS in respect of payments on the notes and proceeds from the sale or other disposition of the notes. You may be subject to backup withholding of tax on these payments unless you comply with certain certification procedures to establish that you are not a United States person. The certification procedures required to claim an exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid backup withholding as well. The amount of any backup withholding from a payment to you will be allowed as a credit against your United States federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the IRS.

*U.S. Federal Estate Tax*

Further, generally, a note held by an individual who at death is not a citizen or resident of the United States should not be includible in the individual's gross estate for United States federal estate tax purposes if:

the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote at the time of death, and

the income on the note would not have been, if received at the time of death, effectively connected with a United States trade or business of the decedent.

S-85

---

**Table of Contents****CERTAIN ERISA CONSIDERATIONS**

*The following summary regarding certain aspects of the United States Employee Retirement Income Security Act of 1974, as amended, or ERISA, and the Code is based on ERISA, the Code, judicial decisions and United State Department of Labor and IRS regulations and rulings that are in existence on the date of this prospectus supplement. This summary is general in nature and does not address every issue pertaining to ERISA that may be applicable to us, the notes or a particular investor. Accordingly, each prospective investor, including plan fiduciaries, should consult with his, her or its own advisors or counsel with respect to the advisability of an investment in the notes, and potentially adverse consequences of such investment, including, without limitation, certain ERISA-related issues that affect or may affect the investor with respect to this investment and the possible effects of changes in the applicable laws.*

ERISA and the Code impose certain requirements on employee benefit plans that are subject to Title I of ERISA, plans subject to Section 4975 of the Code and entities that are deemed to hold the assets of such plans (each such employee benefit plan, or plans or entity, a Plan ) and on those persons who are fiduciaries with respect to Plans. A fiduciary of a Plan subject to Title I of ERISA should consider whether an investment in the notes satisfies ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that such a Plan's investments be made in accordance with the documents governing the Plan.

An investor who is considering acquiring the notes with the assets of a Plan must consider whether the acquisition and holding of the notes will constitute or result in a non-exempt prohibited transaction. Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions that involve a Plan and a party in interest as defined in Section 3(14) of ERISA or a disqualified person as defined in Section 4975 of the Code with respect to such Plan. Examples of such prohibited transactions include, but are not limited to, (i) sales or exchanges of property (such as the notes), or (ii) extensions of credit between a Plan and a party in interest or disqualified person or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Company, the underwriters, the trustee, registrar and paying agent or any of their respective affiliates.

ERISA and the Code contain certain exemptions from the prohibited transactions described above, and the Department of Labor has issued several exemptions, although certain exemptions do not provide relief from the prohibitions on self-dealing contained in Section 406(b) of ERISA and Sections 4975(c)(1)(E) and (F) of the Code. Such exemptions include Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code pertaining to certain transactions with non-fiduciary service providers; Department of Labor Prohibited Transaction Class Exemption ( PTCE ) 95-60, applicable to transactions involving insurance company general accounts; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 84-14, regarding investments effected by a qualified professional asset manager; and PTCE 96-23, regarding investments effected by an in-house asset manager. There can be no assurance that any of these exemptions or any other exemption will be available with respect to notes. Any particular transaction involving a party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

As a general rule, governmental plans, as defined in Section 3(32) of ERISA (a Governmental Plan ), a church plan, as defined in Section 3(33) of ERISA, that has not made an election under 410(d) of the Code (a Church Plan ) and non-U.S. plans are not subject to the requirements of ERISA or Section 4975 of the Code. Accordingly, assets of such plans generally may be invested in the notes without regard to the fiduciary and prohibited transaction considerations

under ERISA and Section 4975 of the Code described above. However, Governmental Plans, a Church Plans or non-U.S. plans may be subject to other United States federal, state, or local laws or non-U.S. laws that regulate their investments (a Similar Law ). A fiduciary of

S-86

---

**Table of Contents**

a Governmental Plan, a Church Plan or a non-U.S. plan should make its own determination as to the requirements, if any, under any Similar Law applicable to the acquisition of the notes.

By its purchase of any note, the purchaser thereof will be deemed to have represented and warranted that either: (i) no assets of a Plan, Governmental Plan, Church Plan or non-U.S. plan have been used to acquire such note or an interest therein or (ii) the purchase and holding of such note or an interest therein by such person do not constitute a non-exempt prohibited transaction under ERISA or the Code or a violation of Similar Law.

This offer is not a representation by us or the underwriters that an acquisition of the notes meets all legal requirements applicable to investments by Plans, Governmental Plans, Church Plans or non-U.S. plans or that such an investment is appropriate for any particular Plan, Governmental Plan, Church Plan or non-U.S. plan.

S-87

---

**Table of Contents****UNDERWRITING**

Banc of America Securities LLC, Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the principal amount of notes set forth opposite its name below.

<b>Underwriter</b>	<b>Principal Amount of Notes</b>
Banc of America Securities LLC	\$
Morgan Stanley & Co. Incorporated	
Wells Fargo Securities, LLC	
BB&T Capital Markets, a division of Scott & Stringfellow, LLC	
KeyBanc Capital Markets Inc.	
PNC Capital Markets LLC	
U.S. Bancorp Investments, Inc.	
 Total	 \$ 320,000,000

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the notes sold under the underwriting agreement if any of these notes are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The representatives have advised us that the underwriters propose initially to offer the notes to the public at the public offering price set forth on the cover page of this prospectus supplement. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The expenses of the offering, not including the underwriting discount, are estimated at \$1.2 million and are payable by us.



We have agreed that, without the consent of Banc of America Securities LLC, Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC, we will not, during the period ending 60 days after the date of this prospectus supplement offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us and having a maturity of more than one year from the date of issue.

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for inclusion of the notes on any automated dealer quotation system. We have been advised by the underwriters that they presently intend to make a

S-88

---

## **Table of Contents**

market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

In connection with the offering, the underwriters may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater principal amount of notes than they are required to purchase in the offering. The underwriters must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

From time to time, the underwriters and certain of their affiliates have provided, and may in the future provide, investment and commercial banking services, financial advisory and other related services to us and our affiliates for which they have in the past received, and may in the future receive, customary fees. Wells Fargo Bank, N.A., an affiliate of Wells Fargo Securities, LLC, also serves as trustee under the indenture governing the notes offered hereby. The representatives are also acting as dealer managers in our tender offer for our 2012 senior notes.

We expect that delivery of the notes will be made against payment therefor on or about \_\_\_\_\_, 2010, which will be the \_\_\_\_\_ business day following the date hereof (this settlement cycle being referred to as ( T+ \_\_\_\_\_ ). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date hereof or the next succeeding \_\_\_\_\_ business days will be required, by virtue of the fact that the notes initially will settle in T+ \_\_\_\_\_, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own advisor.

## **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State ), the underwriters have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date ) they have not made and will not make an offer of notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive except that, in accordance with the following exemptions



## **Table of Contents**

under the Prospectus Directive, if they are implemented in such Relevant Member State, the offer of notes is only being made:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined below); or

in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that such offer will not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in that Relevant Member State.

Each purchaser of notes described in this prospectus located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an offer of notes to the public in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## **Notice to Prospective Investors in the United Kingdom**

Each underwriter has severally represented and agreed that:

it has not offered or sold and will not offer or sell the notes to persons in the United Kingdom prior to this offering except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Prospectus Rules produced by the United Kingdom Financial Services Authority or the Financial Services and Markets Act 2000 (the FSMA );

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the company; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

## **Notice to Prospective Investors in Switzerland**

This document, as well as any other material relating to the notes which are the subject of the offering contemplated by this prospectus, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The notes will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the notes, including, but not limited to, this document, do not claim to comply with the

S-90

---

**Table of Contents**

disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The notes are being offered in Switzerland by way of a private placement, *i.e.* to a small number of selected investors only, without any public offer and only to investors who do not purchase the notes with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This document, as well as any other material relating to the notes, is personal and confidential and does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

**Notice to Prospective Investors in the Dubai International Financial Centre**

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it and has no responsibility for it. The notes which are the subject of the offering contemplated by this prospectus may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this document you should consult an authorized financial adviser.

**Table of Contents**

**LEGAL MATTERS**

Jones Day will pass upon the validity of the notes. The underwriters have been represented by Shearman & Sterling LLP.

**EXPERTS**

The consolidated financial statements of PolyOne Corporation appearing in PolyOne's Current Report on Form 8-K, dated September 10, 2010, as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009, and the effectiveness of PolyOne Corporation's internal control over financial reporting appearing in PolyOne's Annual Report on Form 10-K as of December 31, 2009, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The financial statements of SunBelt Chlor Alkali Partnership appearing in PolyOne Corporation's Annual Report on Form 10-K for the year ended December 31, 2009 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein and herein incorporated by reference. Such financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Oxy Vinyls LP for the six months ended June 30, 2007 have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein and upon the authority of said firm as experts in accounting and auditing.

**Table of Contents**

Prospectus

**\$450,000,000**

**Common Shares  
Preferred Shares  
Depositary Shares  
Warrants  
Subscription Rights  
Debt Securities  
Units**

We may offer and sell from time to time our common shares, preferred shares, depositary shares, warrants, subscription rights and debt securities, as well as units that include any of these securities. We may sell any combination of these securities in one or more offerings with an aggregate initial offering price of \$450,000,000 or the equivalent amount in other currencies or currency units.

We will provide the specific terms of the securities to be offered in one or more supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our securities. This prospectus may not be used to offer and sell our securities unless accompanied by a prospectus supplement describing the method and terms of the offering of those offered securities.

We may sell the securities directly or to or through underwriters or dealers, and also to other purchasers or through agents. The names of any underwriters or agents that are included in a sale of securities to you, and any applicable commissions or discounts, will be stated in an accompanying prospectus supplement. In addition, the underwriters, if any, may over-allot a portion of the securities.

**Investing in any of our securities involves risk. Please read carefully the section entitled **Risk Factors** beginning on page 4 of this prospectus.**

Our common shares are listed on the New York Stock Exchange under the symbol POL. None of the other securities that we may offer under this prospectus are currently publicly traded.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.



The date of this prospectus is November 13, 2009

---

**TABLE OF CONTENTS**

	<b>Page</b>
<u>About This Prospectus</u>	1
<u>Where You Can Find More Information</u>	1
<u>Information We Incorporate By Reference</u>	1
<u>The Company</u>	3
<u>Risk Factors</u>	4
<u>Disclosure Regarding Forward-Looking Statements</u>	4
<u>Use of Proceeds</u>	6
<u>Ratio of Earnings to Fixed Charges</u>	6
<u>Description of Capital Stock</u>	7
<u>Description of Depositary Shares</u>	9
<u>Description of Warrants</u>	12
<u>Description of Subscription Rights</u>	15
<u>Description of Debt Securities</u>	16
<u>Description of Units</u>	25
<u>Plan of Distribution</u>	26
<u>Legal Matters</u>	28
<u>Experts</u>	28

**Table of Contents**

**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the SEC using a shelf registration process. Under this shelf process, we may from time to time sell any combination of the securities described in this prospectus in one or more offerings with an aggregate initial offering price of up to \$450,000,000 or the equivalent amount in other currencies or currency units.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. For a more complete understanding of the offering of the securities, you should refer to the registration statement, including its exhibits. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information under the heading **Where You Can Find More Information** and **Information We Incorporate By Reference**.

You should rely only on the information contained or incorporated by reference in this prospectus and in any prospectus supplement or in any free writing prospectus that we may provide you. We have not authorized anyone to provide you with different information. You should not assume that the information contained in this prospectus, any prospectus supplement, any document incorporated by reference or any free writing prospectus is accurate as of any date, other than the date mentioned on the cover page of these documents. We are not making offers to sell the securities in any jurisdiction in which an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make an offer or solicitation.

References in this prospectus to the terms **we**, **us**, **PolyOne** or **the Company** or other similar terms mean PolyOne Corporation and its consolidated subsidiaries, unless we state otherwise or the context indicates otherwise.

**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934. We file reports, proxy statements and other information with the SEC. Our SEC filings are available over the Internet at the SEC's website at <http://www.sec.gov>. You may read and copy any reports, statements and other information filed by us at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call 1-800-SEC-0330 for further information on the Public Reference Room. You may also inspect our SEC reports and other information at the New York Stock Exchange, 20 Broad Street, New York, New York 10005, or at our website at <http://www.polyone.com>. The information contained on or accessible through our website is not a part of this prospectus, other than the documents that we file with the SEC that are incorporated by reference into this prospectus.

**INFORMATION WE INCORPORATE BY REFERENCE**

The SEC allows us to incorporate by reference into this prospectus the information in documents we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in or omitted from this prospectus or any accompanying prospectus supplement, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.



**Table of Contents**

We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until the completion of the offering of securities described in this prospectus:

our annual report on Form 10-K for the year ended December 31, 2008;

our quarterly reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009;

our current reports on Form 8-K filed on January 22, 2009; February 5, 2009; July 17, 2009 and September 2, 2009; and

the description of our capital stock set forth in our Registration Statement on Form 8-A (File No. 001-16091) filed with the SEC on August 31, 2000, and all amendments and reports filed for the purpose of updating that description.

We will not, however, incorporate by reference in this prospectus any documents or portions thereof that are not deemed filed with the SEC, including any information furnished pursuant to Item 2.02 or Item 7.01 of our current reports on Form 8-K unless, and except to the extent, specified in such current reports.

We will provide you with a copy of any of these filings (other than an exhibit to these filings, unless the exhibit is specifically incorporated by reference into the filing requested) at no cost, if you submit a request to us by writing or telephoning us at the following address and telephone number:

PolyOne Corporation  
33587 Walker Road  
Avon Lake, Ohio 44012  
(440) 930-1000  
Attn: Secretary

**Table of Contents**

**THE COMPANY**

We are a premier provider of specialized polymer materials, services and solutions with operations in thermoplastic compounds, specialty polymer formulations, color and additive systems, thermoplastic resin distribution and specialty polyvinyl chloride resins. We also have two equity investments: one in a manufacturer of caustic soda and chlorine and one in a formulator of polyurethane compounds.

We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain processes to provide an essential link between large chemical producers (our raw material suppliers) and designers, assemblers and processors of plastics (our customers). We believe that large chemical producers are increasingly outsourcing less-than-railcar business; polymer and additive producers need multiple channels to market; processors continue to outsource compounding; and international companies need suppliers with global reach. Our goal is to provide our customers with specialized material and service solutions through our global reach, product platforms, low-cost manufacturing operations, a fully integrated information technology network, broad market knowledge and raw material procurement leverage. Our end markets are primarily in the building and construction materials, wire and cable, transportation, durable goods, packaging, healthcare, electrical and electronics, medical and telecommunications markets, as well as many industrial applications.

PolyOne was formed on August 31, 2000 from the consolidation of The Geon Company and M.A. Hanna. Geon's roots date back to 1927 when BFGoodrich scientist Waldo Semon produced the first usable vinyl polymer. In 1948, BFGoodrich created a vinyl plastic division that was subsequently spun off through a public offering in 1993, creating Geon, a separate publicly-held company. Hanna was formed in 1885 as a privately-held company and became publicly-held in 1927. In the mid-1980s, Hanna began to divest its historic mining and shipping businesses to focus on polymers. Hanna purchased its first polymer company in 1986 and completed its 26th polymer company acquisition in 2000.

**Corporate Information**

We are incorporated in Ohio and our headquarters are located at 33587 Walker Road, Avon Lake, Ohio 44012. Our telephone number is (440) 930-1000. Our website is <http://www.polyone.com>. The information accessible through our website is not part of this prospectus, other than the documents that we file with the SEC that are incorporated by reference into this prospectus.

**Table of Contents**

**RISK FACTORS**

Investing in our securities involves risk. Prior to making a decision about investing in our securities, you should carefully consider the specific factors discussed under the heading "Risk Factors" in our most recent annual report on Form 10-K and in our most recent quarterly reports on Form 10-Q, which are incorporated herein by reference and may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our operations. If any of these risks actually occurs, our business, results of operations and financial condition could suffer. In that case, the trading price of our securities could decline, and you could lose all or a part of your investment.

**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus, including the documents incorporated by reference, contains, and any prospectus supplement may contain, statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "intends," "may," "will" or similar. These statements speak only as of the date of this prospectus, the date of the prospectus supplement or the date of the document incorporated by reference, as applicable, and we undertake no ongoing obligation, other than that imposed by law, to update these statements. These statements appear in a number of places in this prospectus, including the documents incorporated by reference, and relate to, among other things, our intent, belief or current expectations with respect to: our future financial condition, results of operations and prospects; our business and growth strategies; and our financing plans and forecasts. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those contained in or implied by the forward-looking statements as a result of various factors, some of which are unknown, including, without limitation:

the effect on foreign operations of currency fluctuations, tariffs and other political, economic and regulatory risks;

changes in polymer consumption growth rates in the markets where we conduct business;

changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online in the polyvinyl chloride, chlor alkali, vinyl chloride monomer or other industries in which we participate;

fluctuations in raw material prices, quality and supply and in energy prices and supply;

production outages or material costs associated with scheduled or unscheduled maintenance programs;

unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters, including any developments that would require any increase in our costs and/or reserves for such contingencies;

an inability to achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives related to working capital reductions, cost reductions and employee productivity goals;

an inability to raise or sustain prices for products or services;



**Table of Contents**

an inability to maintain appropriate relations with unions and employees;

our ability to realize anticipated savings and operational benefits from our realigning of assets, including those related to closure of certain production facilities;

the financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability;

disruptions, uncertainty or volatility in the credit markets that could adversely impact the availability of credit already arranged and the availability and cost of credit in the future; and

other factors affecting our business beyond our control, including, without limitation, changes in the general economy, changes in interest rates and changes in the rate of inflation.

These factors and the other risk factors described in this prospectus and any accompanying prospectus supplement, including the documents incorporated by reference, are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to or effects on us. 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.

**Table of Contents****USE OF PROCEEDS**

Unless we inform you otherwise in the applicable prospectus supplement, we expect to use the net proceeds from the sale of securities for general corporate purposes. These purposes may include, but are not limited to:

- reduction or refinancing of outstanding indebtedness or other corporate obligations;
- capital expenditures; and
- acquisitions.

Pending any specific application, we may initially invest funds in short-term marketable securities or apply them to the reduction of short-term indebtedness.

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of consolidated earnings to fixed charges for the periods presented:

	<b>Year Ended December 31,</b>					<b>Nine Months Ended September 30,</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Ratio of earnings to fixed charges	1.3x	1.8x	2.3x			2.1x

For purposes of computing the ratio of earnings to fixed charges, earnings consist of income (loss) before income taxes and discontinued operations and exclude income (loss) from equity affiliates and minority interest and capitalized interest, but include dividends received from equity affiliates, fixed charges and amortization of previously capitalized interest. Fixed charges consist of interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness, a portion of rental expense representing an interest factor and interest expense relating to guaranteed debt of our equity affiliates. Earnings for 2007 and 2008 were insufficient to cover fixed charges by \$22.4 million and \$169.2 million, respectively. Accordingly, no such ratio is presented for such periods.

**Table of Contents**

**DESCRIPTION OF CAPITAL STOCK**

The following description is a general summary of the terms of the capital stock that we may issue. The description below and in any prospectus supplement does not include all of the terms of the capital stock and should be read together with our Amended and Restated Articles of Incorporation and Amended and Restated Code of Regulations, copies of which have been filed previously with the SEC. For more information on how you can obtain copies of our Amended and Restated Articles of Incorporation and Amended and Restated Code of Regulations, see [Where You Can Find More Information](#).

**General**

Our authorized capital stock consists of:

400,000,000 common shares, and

40,000,000 preferred shares.

The holders of common shares are entitled to receive dividends as may be declared from time to time by our Board of Directors out of funds legally available for those dividends. The holders of common shares will be entitled to one vote per share on all matters submitted to a vote of shareholders. Holders of common shares will be entitled to receive, upon any liquidation, all remaining assets available for distribution to shareholders after satisfaction of our liabilities and the preferential rights of any preferred shares that may then be issued and outstanding. The holders of common shares have no preemptive, conversion or redemption rights.

We may issue one or more series of preferred shares as created and authorized by our Board of Directors. The Board of Directors will determine and the prospectus supplement relating to any particular issuance of serial preferred shares will describe the terms of those serial preferred shares, including, to the extent applicable, the following:

the number of shares to constitute each series and the name and serial designation thereof;

the annual dividend rate and dividend payment dates;

whether dividends are to be cumulative or non-cumulative;

whether any series will be subject to redemption, and, if so, the manner of redemption and the redemption price;

whether the shares of any series shall be subject to the operation of a retirement, purchase or sinking fund;

the terms, if any, upon which shares of any series shall be convertible into, or exchangeable for, or shall have rights to purchase or other privileges to acquire shares of any other class or of any other series of the same or any other class;

the limitations and restrictions, if any, to be effective while any shares of any series are outstanding upon the payment of dividends or other distributions on, and upon the purchase, redemption or other acquisition of, the common shares or any other series or class of our stock ranking junior to the shares

of any series;

**Table of Contents**

the conditions or restrictions, if any, upon creation of indebtedness or issuance of any additional shares of any class ranking on a parity with or prior to the shares of any series; and

the voting rights of any series, if any, which rights may be full, limited or denied.

**Ohio Takeover Legislation**

Transactions Involving Interested Shareholders. Section 1704.02 of the Ohio Revised Code prohibits any Chapter 1704 transaction (as defined below) for a period of three years from the date on which a shareholder first becomes an interested shareholder unless the directors of the corporation approved the transaction prior to the shareholder becoming an interested shareholder or approved the transaction pursuant to which the shareholder became an interested shareholder.

A Chapter 1704 transaction is defined to include a variety of transactions such as mergers, consolidations, combinations or majority share acquisitions between an Ohio corporation and an interested shareholder or an affiliate of an interested shareholder. An interested shareholder is defined generally as any person who, directly or indirectly, beneficially owns 10% or more of the outstanding voting stock of the corporation. After such three-year period, a Chapter 1704 transaction is prohibited unless certain fair price provisions are complied with, the directors of the corporation approved the purchase of shares which made the shareholder an interested shareholder, or the shareholders of the corporation approve the transaction by the affirmative vote of two-thirds of the voting power of the corporation or such other percentage set forth in the articles of incorporation of the corporation provided that a majority of the disinterested shareholders approve the transaction.

Control Share Acquisitions. Section 1701.831 of the Ohio Revised Code generally prohibits transactions pursuant to which a person obtains one-fifth or more but less than one-third of all the voting power of a corporation, one-third or more but less than a majority of all of the voting power of a corporation, or a majority or more of all the voting power of a corporation (a control share acquisition), unless the shareholders approve the transaction at a special meeting, at which a quorum is present, by both the affirmative vote of a majority of the voting power of the corporation and by the affirmative vote of a majority of the voting power of the corporation excluding the voting power of interested shares. A corporation can provide in its articles of incorporation or regulations that Section 1701.831 does not apply to control share acquisitions of shares of such corporation. Neither our articles nor our regulations contain any provisions to alter the effect of 1701.831 of the Ohio Revised Code.

**Cumulative Voting**

Under Ohio law, unless otherwise provided in a corporation's articles of incorporation, each shareholder is entitled to cumulate such shareholder's votes in the election of directors if the shareholder gives notice to the corporation. Our articles prohibit cumulative voting by shareholders.

**Table of Contents**

**DESCRIPTION OF DEPOSITARY SHARES**

**General**

We may offer depositary shares representing fractional preferred shares of any series. The following description sets forth certain general terms and provisions of the depositary shares that we may offer pursuant to this prospectus. The particular terms of the depositary shares, including the fraction of a preferred share that such depositary share will represent, and the extent, if any, to which the general terms and provisions may apply to the depositary shares so offered will be described in the applicable prospectus supplement.

The preferred shares represented by depositary shares will be deposited under a depositary agreement between us and a bank or trust company that meets certain requirements and is selected by us, which we refer to as the bank depositary. Each owner of a depositary share will be entitled to all the rights and preferences of the preferred shares represented by the depositary share. The depositary shares will be evidenced by depositary receipts issued pursuant to the depositary agreement. Depositary receipts will be distributed to those persons purchasing the fractional preferred shares in accordance with the terms of the offering. The deposit agreement will also contain provisions relating to the manner in which any subscription or similar rights we offer to holders of the preferred shares will be made available to the holders of depositary shares.

The following description is a general summary of some common provisions of a depositary agreement and the related depositary receipts. The description below and in any prospectus supplement does not include all of the terms of the depositary agreement and the related depositary receipts. Copies of the form of depositary agreement and the depositary receipts relating to any particular issue of depositary shares will be filed with the SEC each time we issue depositary shares, and you should read those documents for provisions that may be important to you. For more information on how you can obtain copies of the forms of the depositary agreement and the related depositary receipts, see [Where You Can Find More Information](#).

**Dividends and Other Distributions**

If we pay a cash distribution or dividend on a series of preferred shares represented by depositary shares, the bank depositary will distribute these dividends to the record holders of these depositary shares. If the distributions are in property other than cash, the bank depositary will distribute the property to the record holders of the depositary shares. However, if the bank depositary determines that it is not feasible to make the distribution of property, the bank depositary may, with our approval, sell this property and distribute the net proceeds from this sale to the record holders of the depositary shares.

**Redemption**