

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
In re : Chapter 11
SOLUTIA INC., *et al.*, : Case No. 03-17949 (PCB)
Debtors. : (Jointly Administered)
-----X

THIS DISCLOSURE STATEMENT APPLIES TO:

<input checked="" type="checkbox"/> All Debtors	<input type="checkbox"/> Axio Research Corporation
<input type="checkbox"/> Solutia Inc.	<input type="checkbox"/> Solutia Investments, LLC
<input type="checkbox"/> Solutia Business Enterprises Inc.	<input type="checkbox"/> Beamer Road Management Company
<input type="checkbox"/> Solutia Systems, Inc.	<input type="checkbox"/> Monchem, Inc.
<input type="checkbox"/> Solutia Overseas, Inc.	<input type="checkbox"/> Solutia Inter-America, Inc.
<input type="checkbox"/> CPFilms Inc.	<input type="checkbox"/> Solutia International Holding, LLC
<input type="checkbox"/> Solutia Management Company, Inc.	<input type="checkbox"/> Solutia Taiwan, Inc.
<input type="checkbox"/> Monchem International, Inc.	<input type="checkbox"/> Solutia Greater China, Inc.

**SOLUTIA'S FIFTH AMENDED DISCLOSURE STATEMENT
PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE**

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Dated: October 19, 2007

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. EXECUTIVE SUMMARY.....	2
A. GLOBAL SETTLEMENT.....	2
1. \$250 Million of New Investment.....	3
2. Relief from Tort Litigation and Environmental Remediation Liabilities.....	3
3. New Common Stock Purchase Option for Certain Current Holders of Equity Interests in Solutia.....	4
4. Settlement of Litigation and Claims Objection.....	4
5. Anticipated Creditor and Common Stockholder Recoveries and Equity Ownership.....	4
6. General Assumptions.....	5
7. The Exit Financing Facility.....	6
8. RELEASES.....	6
9. Reallocation of Indemnities Among Reorganized Solutia, Monsanto and Pharmacia.....	9
B. SUMMARY OF CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS AND EQUITY INTERESTS UNDER THE AMENDED PLAN.....	10
C. PARTIES ENTITLED TO VOTE ON THE AMENDED PLAN.....	13
D. SOLICITATION PACKAGES.....	14
E. VOTING INSTRUCTIONS.....	15
F. THE CONFIRMATION HEARING.....	19
G. CONFIRMATION OF THE AMENDED PLAN IS THE CULMINATION OF THE CHAPTER 11 CASES.....	19
H. EFFECT OF THE AMENDED PLAN ON SOLUTIA'S ONGOING BUSINESS.....	20
III. IMPORTANT INFORMATION.....	20
IV. OVERVIEW OF SOLUTIA'S BUSINESS.....	25
A. CORPORATE HISTORY AND EVENTS LEADING TO THE FILING OF THE CHAPTER 11 CASES.....	25
V. EVENTS DURING THE CHAPTER 11 CASES.....	26

A.	STABILIZATION OF BUSINESS OPERATIONS	26
1.	First Day Relief.....	26
2.	DIP Financing	27
3.	Employee Retention.....	28
4.	Retention of Restructuring and Other Professionals.....	28
B.	NEW SENIOR MANAGEMENT TEAM.....	29
C.	COMPOSITION OF NEW BOARD OF DIRECTORS.....	31
D.	REORGANIZATION STRATEGY	31
1.	Enhancing the Performance of Solutia’s Businesses	32
2.	Changes to the Asset Portfolio.....	40
3.	Reallocation of Risks Related to Legacy Liabilities.....	45
4.	Appropriate Capital Structure and Conversion of Debt.....	45
E.	FINANCIAL PERFORMANCE DURING BANKRUPTCY.....	46
VI. THE GLOBAL SETTLEMENT AND REALLOCATION OF LEGACY LIABILITIES.....		46
A.	LITIGATION SETTLEMENTS.....	48
1.	The Prepetition Indenture Trustee Adversary Proceeding.....	48
2.	Equity Committee Adversary Proceeding Against Monsanto and Pharmacia.....	48
3.	Litigation Among Pharmacia, Monsanto and Solutia.....	49
4.	The Retirees Adversary Proceeding.....	49
5.	The EPA Adversary Proceeding	49
B.	REALLOCATION OF THE LEGACY LIABILITIES.....	50
1.	Legacy OPEB Liabilities	50
2.	Legacy Environmental Liabilities.....	51
3.	Legacy Tort Liabilities.....	56
4.	Legacy Pension Liabilities.....	62
C.	MODIFICATION OF KEY COMMERCIAL AND OPERATING AGREEMENTS BY THE MONSANTO SETTLEMENT AGREEMENT	62
1.	Chocolate Bayou Supply Agreements	64
2.	HMD Supply Agreement.....	65
D.	DISTRIBUTIONS ON ACCOUNT OF CLAIMS AND COMMON STOCK IN SOLUTIA	65
VII. CLAIMS AND EQUITY INTERESTS AND THEIR TREATMENT.....		65
A.	ASSERTED AND SCHEDULED CLAIMS.....	65
1.	Unimpaired Classes	66
2.	Impaired Classes	67

3.	Class Deemed to Reject the Amended Plan.....	74
B.	RECOVERIES TO UNSECURED CREDITORS, NOTEHOLDERS AND EQUITY MAY BE DILUTED.....	74
C.	OFFERINGS UNDER THE AMENDED PLAN.....	76
1.	The Rights Offering.....	76
2.	The Equity Purchase.....	78
3.	The Claim Transfer Option.....	79
4.	The Warrants.....	80
VIII.	REORGANIZED SOLUTIA.....	80
A.	BUSINESS OVERVIEW.....	80
B.	THE NYLON BUSINESS.....	80
C.	THE SAFLEX BUSINESS.....	82
D.	THE FLEXSYS BUSINESS.....	83
E.	THE CPFILMS BUSINESS.....	84
F.	THE SPECIALTY PRODUCTS BUSINESS.....	85
G.	CAPITAL OBLIGATIONS TO BE SATISFIED OR COMPROMISED UPON EMERGENCE.....	86
1.	DIP Credit Facility & Prepetition Secured Bank Debt.....	88
2.	Senior Secured Notes.....	88
3.	Retiree Trust.....	93
4.	Funding Co.....	93
5.	Headquarters Financing.....	93
6.	Euro Notes.....	94
7.	Flexsys Financing.....	94
8.	2027/2037 Notes.....	94
9.	Trade Claims and Other Unsecured Obligations.....	95
10.	Common Stock and Common Stock Derivatives.....	95
H.	REORGANIZED SOLUTIA'S STRUCTURE.....	96
1.	New Common Stock.....	96
2.	Exit Financing Facility.....	96
IX.	SUMMARY OF LEGAL PROCEEDINGS.....	97
A.	LEGAL PROCEEDINGS IN THE BANKRUPTCY COURT.....	97
1.	Avoidance Actions.....	97

B.	PENDING LEGAL PROCEEDINGS OUTSIDE THE BANKRUPTCY COURT	99
1.	Cash Balance Plan Litigation.....	99
2.	SIP Plan Litigation (The Dickerson/Reiff Litigation)	99
3.	Department of Labor Investigation.....	102
4.	Department of Justice Investigations	102
X.	PROJECTED FINANCIAL INFORMATION.....	103
XI.	RISK FACTORS	105
A.	CERTAIN BANKRUPTCY CONSIDERATIONS	105
B.	FACTORS AFFECTING THE VALUE OF THE SECURITIES TO BE ISSUED UNDER THE AMENDED PLAN.....	109
C.	RISKS RELATED TO SOLUTIA’S BUSINESS AND INDUSTRY	114
XII.	CONFIRMATION OF THE AMENDED PLAN	121
A.	THE CONFIRMATION HEARING	121
B.	DEADLINE TO OBJECT TO CONFIRMATION	121
C.	REQUIREMENTS FOR CONFIRMATION OF THE AMENDED PLAN.....	121
1.	Requirements of Section 1129(a) of the Bankruptcy Code	122
2.	Best Interests of Creditors.....	124
3.	Acceptance.....	126
4.	Feasibility.....	126
5.	Requirements of Section 1129(b) of the Bankruptcy Code	126
D.	VALUATION OF REORGANIZED SOLUTIA	128
E.	IDENTITY OF INSIDERS.....	128
F.	EFFECT OF CONFIRMATION OF THE AMENDED PLAN	128
1.	Preservation of Avoidance Actions	128
2.	Term of Bankruptcy Injunction or Stays	128
3.	Releases.....	131
4.	Exculpation and Limitation of Liability	135
5.	Discharge of Claims and Termination of Equity Interests.....	136
6.	Assumption of the ACE Insurance Program and the Treatment of the ACE Companies’ Claims.....	137
XIII.	SECURITIES LAW TREATMENT OF THE OFFER AND SALE OF WARRANTS AND NEW COMMON STOCK UNDER THE AMENDED PLAN.....	139
1.	New Common Stock Issued in reliance on Section 1145 of the Bankruptcy Code	139

2.	New Common Stock Issued pursuant to the Rights Offerings	140
3.	New Common Stock Issued to the Backstop Purchasers and Monsanto	140
4.	Rule 144	140
XIV. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE AMENDED PLAN		140
A.	CONSEQUENCES TO HOLDERS OF ALLOWED CLAIMS AND EQUITY INTERESTS	142
1.	Consequences to Holders of Secured Claims	142
2.	Consequences to Holders of Senior Secured Note Claims	142
3.	Consequences to Holders of CPFilms Claims	143
4.	Consequences to Holders of Noteholder Claims and General Unsecured Claims	143
5.	Consequences to Holders of Legacy Tort Claims	148
6.	Consequences to Holders of Security Claims	148
7.	Consequences to Holders of Common Stock in Solutia	148
8.	Consequences to Holders of Retiree Claims	150
B.	CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE AMENDED PLAN TO THE DEBTORS	150
1.	Cancellation of Indebtedness and Reduction of Tax Attributes	150
2.	Limitation of Net Operating Loss Carryovers and Other Tax Attributes	151
3.	Alternative Minimum Tax	152
4.	Funding Co.	153
C.	BACKUP WITHHOLDING AND REPORTING	153
XV. RECOMMENDATION		154

EXHIBITS

- EXHIBIT A Fifth Amended Plan of Reorganization
- EXHIBIT B Disclosure Statement Order
- EXHIBIT C Reorganized Debtors' Projections
- EXHIBIT D Reorganized Debtors' Valuation
- EXHIBIT E Liquidation Analysis
- EXHIBIT F Reconciliation of EBITDAR to GAAP Net Income
- EXHIBIT G Valuation Summary (Exhibit 99.2 of Solutia Inc. Form 8-K dated April 27, 2007)
- EXHIBIT H Certain Litigation Involving Monsanto and/or Pharmacia

CONTENTS OF SOLICITATION PACKAGES TO BE SENT TO STAKEHOLDERS

In accordance with the terms of the Disclosure Statement Order, all parties in interest will receive the Confirmation Hearing Notice. Additionally, stakeholders who are eligible to vote on the Amended Plan will receive appropriate Solicitation Materials including, as applicable, Ballots, Rights Offering Procedures, Claim Transfer Procedures, Equity Purchase Procedures and related subscription forms. In addition, Solutia will provide by mail one copy of each of the following documents to the following parties:

Senior Secured Note Claimants, Noteholder Claimants, CPFilms Claimants, General Unsecured Claimants and the Holders of at least 11 shares of common stock in Solutia will receive:

- this Disclosure Statement, including all exhibits hereto;
- the Fifth Amended Joint Plan of Reorganization, excluding the exhibits thereto (the Amended Plan is Exhibit A to this Disclosure Statement); and
- the Disclosure Statement Order, including Exhibit A thereto (the Disclosure Statement Order is Exhibit B to this Disclosure Statement).

Retiree Claimants will receive:

- the Retiree Notice; and
- the Retiree Settlement Agreement (which is an exhibit to the Retiree Notice).

Tort Claimants will receive:

- the Tort Notice.

THE NOTICES SENT TO PARTIES IN INTEREST WILL INDICATE THAT THIS DISCLOSURE STATEMENT, THE AMENDED PLAN, THE RETIREE SETTLEMENT AGREEMENT, THE MONSANTO SETTLEMENT AGREEMENT, AND ALL OF THE EXHIBITS THERETO ARE AVAILABLE FOR VIEWING BY ANY PARTY AT: WWW.SOLUTIA.COM/REORGANIZATION AND WWW.TRUMBULLGROUP.COM.

I. INTRODUCTION

Solutia Inc. (“Solutia”), a Delaware corporation with its primary headquarters in St. Louis, Missouri, and certain of Solutia’s direct and indirect subsidiaries identified on the title page above (collectively, “Solutia,” the “Debtors” or the “Company”), as debtors and debtors in possession, submit this Disclosure Statement,¹ pursuant to section 1125 of title 11 of the United States Code (the “Bankruptcy Code”), to Holders of Claims and Equity Interests² in connection with (A) the solicitation of acceptances of Solutia’s Fifth Amended Joint Plan of Reorganization, dated October 19, 2007, as the same may be amended from time to time (the “Amended Plan”), which was filed by Solutia with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) and (B) the Confirmation Hearing, which is scheduled for November 29, 2007, commencing at 11:00 a.m. (Eastern Time). A copy of the Amended Plan is annexed to this Disclosure Statement as Exhibit A.

This Disclosure Statement includes information about Solutia’s prepetition operating and financial history, the events leading up to the commencement of the Chapter 11 Cases, significant events that occurred during the Chapter 11 Cases, and the proposed organization, operations and financing of Reorganized Solutia if the Amended Plan is confirmed and becomes effective. This Disclosure Statement also summarizes terms and provisions of the Amended Plan, including certain effects of confirmation of the Amended Plan, certain risk factors relating to Solutia or Reorganized Solutia, the Amended Plan and the securities to be issued under the Amended Plan and the manner in which Distributions will be made under the Amended Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that Holders of Claims and Equity Interests who are entitled to vote on the Amended Plan must follow for their votes to be counted. Unless otherwise noted in this Disclosure Statement, all dollar amounts provided in this Disclosure Statement and in the Amended Plan are given in United States dollars.

On October 19, 2007, the Bankruptcy Court entered an order, annexed hereto as Exhibit B (the “Disclosure Statement Order”), approving this Disclosure Statement as containing “adequate information,” *i.e.*, information of a kind and in sufficient detail to enable a hypothetical reasonable investor typical of the Holders of Claims and Equity Interests to make an informed judgment whether to accept the Amended Plan.

¹ All capitalized terms, used but not otherwise defined in this Disclosure Statement, shall have the meanings ascribed to them in the Amended Plan and the exhibits thereto, including the Monsanto Settlement Agreement and the Retiree Settlement Agreement.

² As set forth in this Disclosure Statement and pursuant to the Disclosure Statement Order, only those Holders of Claims and Equity Interests in Classes 3, 5, 11, 12, 13, 14, 15, 19 and 20 who are entitled to vote on the Amended Plan will receive this Disclosure Statement. All other Holders of Claims and Equity Interests will receive a notice of the Disclosure Statement, which will provide details on how to procure copies of this Disclosure Statement.

II.

EXECUTIVE SUMMARY

Prior to soliciting acceptances of a proposed plan of reorganization, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the plan of reorganization. This Disclosure Statement is being submitted in accordance with the requirements of section 1125 of the Bankruptcy Code. The following is a summary of the material items addressed in the Disclosure Statement and of the Amended Plan, which is qualified by reference to the entire Disclosure Statement and by the actual terms of the Amended Plan, and the exhibits attached hereto and to the Amended Plan. This Executive Summary is being provided as an overview and should not be relied upon for a comprehensive discussion of the Disclosure Statement and/or the Amended Plan.

A. GLOBAL SETTLEMENT

Solutia, Monsanto, Pharmacia, the Creditors' Committee, the Retirees' Committee, the Ad Hoc Trade Committee, the Ad Hoc Notes Committee and the Equity Committee have reached a comprehensive settlement (the "Global Settlement"), which forms the basis for the Amended Plan. In addition to changes in the consideration to be received by certain classes of creditors and common stockholders in Solutia, the Global Settlement incorporates the terms of the Monsanto and Retiree Settlement Agreements. As part of the Global Settlement, Solutia, Monsanto, Noteholders controlling more than \$300.1 million (at least 66.6%) in principal amount of the 2027 Notes and the 2037 Notes (collectively referred to herein as the "2027/2037 Notes"), the Creditors' Committee, the Equity Committee and the Ad Hoc Trade Committee have executed an agreement in support of the Global Settlement and the Amended Plan. This plan support agreement is annexed to the Amended Plan as Exhibit K.

The Amended Plan provides for a reallocation of the OPEB, Pension, Environmental and Tort legacy liabilities (the "Legacy Liabilities"), which Solutia assumed when it was spun off from Old Monsanto, between Solutia and Monsanto, and a resolution of all the litigation among the settling parties, including the appeals filed in the Prepetition Indenture Trustee Adversary Proceeding filed by the Prepetition Indenture Trustee and the Ad Hoc Notes Committee, the Equity Committee Adversary Proceeding and related objections to the Monsanto and Pharmacia claims.

Solutia and the other parties to the Global Settlement will seek approval of the Global Settlement and its terms in connection with the Confirmation Hearing. Solutia and the settling parties believe that the settlement is fair and reasonable and should be approved.

The material terms of the Global Settlement, which are embodied in the Amended Plan are:

1. \$250 Million of New Investment

The Amended Plan provides for \$250 million of new investment in Reorganized Solutia. This investment will be in the form of a Rights Offering to Noteholders, General Unsecured Creditors and Holders of common stock in Solutia participating in the Claims Transfer Option, who will be given the opportunity to purchase shares of New Common Stock on a Pro Rata basis at a 33.33% discount to the implied equity value of Reorganized Solutia. Additionally, a group of Solutia's creditors has committed to backstop the rights offering in exchange for a fee and the priority right to purchase up to 15% of the New Common Stock offered in the Rights Offering, thereby assuring that Reorganized Solutia will receive the \$250 million.

The \$250 million generated by the Rights Offering will be used as follows: \$175 million will be deposited into the Retiree Trust, which will qualify as a Voluntary Employees' Beneficiary Association (VEBA), to fund the retiree welfare benefits for those Pre-Spin Retirees who receive these benefits from Solutia; and \$75 million will be used by Solutia to pay for other Legacy Liabilities being retained by Solutia.

2. Relief from Tort Litigation and Environmental Remediation Liabilities

Consistent with the prior settlement between Solutia and Monsanto (as set forth in the Monsanto Settlement Agreement), the Global Settlement provides that Monsanto will be financially responsible, as between itself and Solutia only, for certain tort litigation and environmental remediation.

- Monsanto will be financially responsible, as between itself and Solutia, for all Legacy Tort Claims. This includes litigation arising from exposure to chemicals manufactured by Old Monsanto.
- Monsanto will be financially responsible, as between itself and Solutia, for environmental remediation and clean-up obligations at sites for which Solutia assumed responsibility at the spinoff, but which were never owned or operated by Solutia. Solutia will remain responsible for the environmental liabilities at sites that it presently owns or operates.
- Solutia and Monsanto will share financial responsibility with respect to offsite areas in Sauget, Illinois and Anniston, Alabama. Under this cost-sharing arrangement, Monsanto has funded remediation costs at these sites during the Chapter 11 Cases, and will not be reimbursed for the first \$50 million of such funding. The first \$50 million of post-emergence remediation and cleanup costs will be funded by the proceeds of the Rights Offering. Upon emergence, Solutia will be responsible for the funding of these sites up to a total expenditure of \$325 million. Thereafter, if needed, Monsanto and Solutia will share responsibility equally, subject to Monsanto's agreement to extend credit support to Reorganized Solutia in the event costs exceed \$30 million in any year.

3. New Common Stock Purchase Option for Certain Current Holders of Equity Interests in Solutia

Under the Amended Plan, in addition to the consideration described below, current equity Holders of Common Stock in Solutia that own at least 11 shares of Solutia's common stock will receive rights to purchase their Pro Rata share of up to 17% of the New Common Stock at a price of \$17.23 per share. The proceeds from the sale of this equity will be received by Solutia and used to fund a cash payment to Monsanto of up to \$175 million. Any portion of the 17% of the New Common Stock that is not purchased by current equity Holders will be distributed to Monsanto under the Amended Plan.

4. Settlement of Litigation and Claims Objection

Each of the settling parties has agreed to stay all pending litigation and objections relating to Solutia's Chapter 11 Cases until the Effective Date of the Amended Plan, at which time such litigation will be dismissed with prejudice. The pending litigation includes objections to the disclosure statement and prior amended plans that were filed by the Ad Hoc Notes Committee and the Equity Committee, the Equity Committee Adversary Proceeding, objections to the proofs of claim filed in the case by Monsanto and Pharmacia, and the pending appeals of the decision in the Prepetition Indenture Trustee Adversary Proceeding.

5. Anticipated Creditor and Common Stockholder Recoveries and Equity Ownership

Assuming full subscription to the Rights Offering by eligible parties and a full exercise of the Equity Purchase by Eligible Shareholders, Solutia's creditors and Holders of common stock in Solutia will receive the following distributions:

- **General Unsecured Creditors** will receive their pro rata share (inclusive of shares offered in the Rights Offering) of 31.4% of the New Common Stock, resulting in a recovery of 83.1 cents on the dollar.
- **Noteholders** will receive their pro rata share (inclusive of shares offered in the Rights Offering) of 43.8% of the New Common Stock, resulting in a recovery of 88.4 cents on the dollar.
- **Monsanto** will receive up to \$175 million in cash. (Any shares of New Common Stock not purchased by current equity Holders pursuant to the Equity Purchase will be distributed to Monsanto and the cash distribution reduced accordingly.)
- **Retirees** will receive the benefits provided for under the terms of the Retiree Settlement Agreement between Solutia and its Retirees' Committee. In accordance with the Retiree Settlement Agreement, and assuming the Bankruptcy Court approves the midpoint equity value set forth in Exhibits D and G, the Retirees, as a class, will be allocated 2.01% of the New Common Stock of Reorganized Solutia. This stock will be deposited into a VEBA trust that will be used to pay retiree welfare benefits. This stock is in addition to the \$175 million from the Rights Offering that will also be deposited into the VEBA trust.

- **Backstop Parties** (the backstoppers of the Rights Offering) will own up to 4.7% of the New Common Stock.
- **Holder of Common Stock in Solutia** that own at least 175 shares of Solutia common stock will receive their Pro Rata share of 1% of the New Common Stock, and pursuant to the Equity Purchase described above, stockholders that own at least 11 shares of Solutia common stock will receive rights to purchase their Pro Rata share of up to an additional 17% of the New Common Stock.
 - Assuming the Equity Purchase for current shareholders is fully exercised, current equity security holders will own 18% of the New Common Stock.
 - Additionally, Holders of common stock in Solutia will have the following rights: (a) Holders who own at least 24 shares of common stock in Solutia will receive their Pro Rata share of five-year warrants with a strike price of \$29.70 to purchase 7.5% of the New Common Stock; and (b) Holders who own at least 107 shares of common stock in Solutia will receive the right to purchase Allowed General Unsecured Claims of less than \$100,000, but greater than \$2,500 for an amount equal to 52.35% of the Allowed amount of such claims, subject to the election of each Holder to sell their Allowed General Unsecured Claim.

On the Effective Date, all existing Equity Interests, including the common stock of, and warrants and options to purchase common stock in, Solutia will be cancelled.

Not all Holders of Common Stock in Solutia are eligible to receive all of the foregoing distributions. Holders of Common Stock must meet the eligibility requirements to receive New Common Stock, Warrants and Equity Purchase Rights set forth in the Amended Plan (and in the relevant exhibits thereto) and described in Section VII.A.2(i) of this Disclosure Statement.

6. General Assumptions

The Global Settlement and the recoveries provided thereunder are premised on certain general assumptions, including that:

- Solutia will be an independent, publicly traded company listed on a national exchange.
- The enterprise value of Reorganized Solutia will be approximately \$2.85 billion, assuming pro forma net debt of approximately \$1.7 billion (based on pro forma cash of \$30 million), and the corresponding implied reorganization equity value of approximately \$1.2 billion.³

³ Rothschild estimated Solutia's total enterprise value as of March 21, 2007, based on Solutia's financial projections dated December 15, 2006, and then prevailing market conditions. Rothschild has not performed a
(Continued...)

- In total, 59.75 million shares of New Common Stock will be issued and allocated upon emergence.

7. The Exit Financing Facility

As more fully described in Section VIII.H.2 hereof, Solutia will seek to obtain an exit facility (the "Exit Financing Facility") of up to \$2.0 billion (including undrawn availability on a revolving loan) to replace all of its existing secured debt obligations, satisfy various bankruptcy-related costs, and provide adequate liquidity for on-going operations. The Exit Financing Facility is expected to include institutional term loans, a revolving loan, a letter of credit facility, high yield bonds or second lien loans, depending on many factors, including the strength of the capital markets.

Beginning in July 2007, the debt capital markets began to experience historically high volatility. While Solutia remains confident in its ability to finance the Amended Plan, no assurance can be given that this market volatility will not result in higher borrowing costs. As a result, Solutia may have to pay higher interest rates and fees as it seeks to consummate the Amended Plan with consequent reductions in free cash flows over some or all of the projection period. Such variations from assumptions contained in the business plan may be material.

8. RELEASES⁴

THE GLOBAL SETTLEMENT INCLUDES THE FOLLOWING RELEASES.

THE DEBTORS WILL RELEASE THE FOLLOWING PARTIES:

- **THE DEBTORS' CURRENT AND FORMER DIRECTORS AND OFFICERS;**
- **THE CREDITORS' COMMITTEE;**
- **MONSANTO (EXCEPT WITH RESPECT TO LEGACY TORT CLAIMS, WITH RESPECT TO LEGACY SITES AND MONSANTO'S SHARE OF ENVIRONMENTAL LIABILITIES WITH RESPECT TO THE SHARED SITES);**

new valuation exercise since this date. However, Rothschild believes, based on updated public market comparables, changes in market conditions and changes to Solutia's financial projections, that were Rothschild to perform a new valuation exercise at this time, Solutia's estimated implied mid-point equity value available for distribution to creditors likely would not change materially.

⁴ For a full description of the Releases contained in the Amended Plan see Section XII.F.3 of this Disclosure Statement. This summary of the Releases is qualified in its entirety by reference to the terms of the Amended Plan. In the event of any inconsistency between the terms of the Amended Plan and the terms of this Executive Summary, the terms of the Amended Plan shall govern and shall be controlling in all respects.

- PHARMACIA (EXCEPT WITH RESPECT TO LEGACY TORT CLAIMS, LEGACY SITE CLAIMS, ENVIRONMENTAL LIABILITIES WITH RESPECT TO LEGACY SITES, AND MONSANTO'S SHARE OF ENVIRONMENTAL LIABILITIES WITH RESPECT TO SHARED SITES);
- MONSANTO AND PHARMACIA'S EMPLOYEE BENEFIT PLANS;
- THE AD HOC TRADE COMMITTEE;
- THE AD HOC NOTES COMMITTEE;
- THE PREPETITION INDENTURE TRUSTEE;
- THE BACKSTOP INVESTORS;
- THE EQUITY COMMITTEE;
- THE RETIREES COMMITTEE; AND
- THE RESPECTIVE AFFILIATES AND CURRENT OR FORMER MEMBERS, REPRESENTATIVES, ATTORNEYS, AGENTS AND ADVISORS OF THE FOREGOING.

EACH HOLDER OF A CLAIM OR EQUITY INTEREST WILL RELEASE THE FOLLOWING PARTIES:

- THE DEBTORS' CURRENT AND FORMER DIRECTORS, OFFICERS AND EMPLOYEES;
- THE CREDITORS' COMMITTEE;
- MONSANTO (EXCEPT WITH RESPECT TO TORT CLAIMS, LEGACY SITE CLAIMS, NRD CLAIMS AND CLAIMS OF GOVERNMENTAL ENTITIES);
- PHARMACIA (EXCEPT WITH RESPECT TO TORT CLAIMS, LEGACY SITE CLAIMS, NRD CLAIMS AND CLAIMS OF GOVERNMENTAL ENTITIES);
- THE AD HOC TRADE COMMITTEE;
- THE AD HOC NOTES COMMITTEE;
- THE PREPETITION INDENTURE TRUSTEE;
- THE BACKSTOP INVESTORS;

- THE EQUITY COMMITTEE;
- THE RETIREES COMMITTEE; AND
- THE RESPECTIVE AFFILIATES AND CURRENT OR FORMER MEMBERS, REPRESENTATIVES, ATTORNEYS, AGENTS AND ADVISORS OF THE FOREGOING.

PURSUANT TO THE TERMS OF THE RETIREE SETTLEMENT AGREEMENT, THE RETIREES' COMMITTEE AND THE RETIREES HAVE AGREED TO RELEASE AND DISCHARGE CLAIMS FOR RETIREE BENEFITS, AS SUCH TERM IS DEFINED IN SECTION 1114(A) OF THE BANKRUPTCY CODE, AGAINST:

- THE DEBTORS (EXCEPT WITH RESPECT TO THE BENEFITS THAT SOLUTIA HAS AGREED TO PROVIDE TO RETIREES UNDER THE RETIREE SETTLEMENT AGREEMENT);
- MONSANTO;
- PHARMACIA;
- MONSANTO AND PHARMACIA'S EMPLOYEE BENEFIT PLANS; AND
- THE RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AFFILIATES, ATTORNEYS, AGENTS, ADVISORS AND PROFESSIONALS OF EACH OF THE FOREGOING.

AS DESCRIBED ABOVE, MONSANTO AND PHARMACIA WILL BE RELEASED BY THE FOLLOWING PARTIES:

- THE DEBTORS (OTHER THAN FOR LIABILITIES RELATED TO THE LEGACY TORT CLAIMS, ENVIRONMENTAL LIABILITIES WITH RESPECT TO THE LEGACY SITES AND MONSANTO'S PORTION OF ENVIRONMENTAL LIABILITIES WITH RESPECT TO THE SHARED SITES);
- HOLDERS OF CLAIMS OR EQUITY INTERESTS (OTHER THAN FOR LIABILITIES RELATED TO THE TORT CLAIMS, THE LEGACY SITE CLAIMS, NRD CLAIMS AND GOVERNMENTAL CLAIMS); AND
- THE RETIREES' COMMITTEE AND THE RETIREES FOR LIABILITIES RELATED TO "RETIREE BENEFITS" AS DEFINED IN SECTION 1114(A) OF THE BANKRUPTCY CODE.

MONSANTO AND PHARMACIA WILL NOT BE RELEASED BY ANY PARTY FROM THE FOLLOWING CLAIMS:

- **LEGACY TORT CLAIMS;**
- **NRD CLAIMS;**
- **LEGACY SITE CLAIMS;**
- **CLAIMS FOR ENVIRONMENTAL LIABILITIES OR COSTS RELATED TO SHARED SITES OR LEGACY SITES; AND**
- **ANY CLAIMS OF GOVERNMENTAL ENTITIES.**

9. Reallocation of Indemnities Among Reorganized Solutia, Monsanto and Pharmacia

The Global Settlement provides for a reallocation of the existing indemnities among Solutia, Monsanto and Pharmacia. Specifically, Reorganized Solutia will indemnify Monsanto and Pharmacia for losses incurred in connection with the following:

- Environmental Liabilities in connection with the Retained Sites;
- Environmental Liabilities in connection with the Shared Sites for which Solutia is liable;
- the failure of Reorganized Solutia to make payments required to be paid by Reorganized Solutia pursuant to the Anniston Settlement Agreement or under the Anniston Consent Decree;
- the PENNDOT litigation up to an amount not to exceed \$20 million;
- the Chemicals Liabilities (as defined in Section 1.01 of the Monsanto Settlement Agreement) which Monsanto or Pharmacia have not otherwise agreed to take responsibility for, except for Claims not satisfied in full under the Amended Plan relating to Pharmacia or Solutia's non-qualified plans at issue in *Miller v. Pharmacia Corporation*, Case No. 04:04CV981; and
- Solutia Tort Claims.

Monsanto will indemnify Reorganized Solutia for, and Pharmacia will not seek indemnification from Reorganized Solutia for, losses incurred in connection with the following:

- Environmental Liabilities in connection with the Legacy Sites;
- Environmental Liabilities in connection with the Shared Sites for which Monsanto and/or Pharmacia are liable;

- Legacy Tort Claims; and
- the Agricultural Liabilities (as defined in Section 1.01 of the Monsanto Settlement Agreement).

B. SUMMARY OF CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS AND EQUITY INTERESTS UNDER THE AMENDED PLAN

The following table provides a summary of the distributions to Holders of Allowed Claims and Equity Interests under the Amended Plan and is qualified in its entirety by reference to the Amended Plan. The recoveries set forth below are projected recoveries and may change based upon changes in Allowed Claims and available proceeds. The recovery calculations set forth in the following table are based on the following assumptions: (i) a midpoint implied equity value for Reorganized Solutia of approximately \$1.2 billion;⁵ (ii) a General Unsecured Claims pool of \$342 million -- the midpoint of Solutia's estimated range for the ultimate aggregate amount of Allowed General Unsecured Claims;⁶ (iii) an exercise price in the Rights Offering at a discount of 33.33% to Solutia's implied midpoint equity valuation; (iv) full subscription to the Rights Offering by participating parties; (v) full subscription by the Backstop Investors to the Backstop Pool; and (vi) that all recoveries are calculated net of the cost to acquire Rights.

Class	Claim/Equity Interest	Treatment of Claim/Equity Interest	Estimated Aggregated Amount of Allowed Claims or Equity Interests	Estimated Percentage Recovery of Allowed Claims or Equity Interests
Class 1	Priority Non-Tax Claims	Unimpaired	\$2.2 million	100%
Class 2	Secured Claims ⁷	Unimpaired	\$40-\$50 million	100%
Class 3	Senior Secured Note Claims	Unimpaired ⁸	\$209.9 million ⁹	100%

⁵ The estimated midpoint enterprise value for Reorganized Solutia is approximately \$2.85 billion, assuming pro forma net debt of approximately \$1.7 billion. (Pro forma debt of \$1.7 billion less pro forma cash of \$30 million). Accordingly, Reorganized Solutia's implied midpoint equity value available for distribution to creditors is approximately \$1.2 billion. These values are more fully described in the valuation materials prepared by Rothschild, the Debtors' financial advisor and investment banker, which are attached hereto as Exhibits D and G.

⁶ Included in this estimated amount is the Calpine claim settled and approved by the Bankruptcy Court at \$140 million.

⁷ Secured Claims include Claims premised upon mechanics' liens and materialmen's liens.

⁸ Solutia believes that, because the Holders of the Senior Secured Notes will be paid in cash in full, the Senior Secured Notes Claims are Unimpaired by the terms of the Amended Plan. In recognition of the Senior Secured Notes Trustee's argument that the Senior Secured Notes are Impaired, and to preserve the rights of Solutia and the Senior Secured Notes Trustee, each of the Holders of the Senior Secured Notes will be provided with a provisional Ballot allowing Holders to cast a vote regarding the Amended Plan in the aggregate amount of \$223 million. Notably, the Senior Secured Note Claims are classified as Claims against Solutia and the Senior

(Continued...)

Class	Claim/Equity Interest	Treatment of Claim/Equity Interest	Estimated Aggregated Amount of Allowed Claims or Equity Interests	Estimated Percentage Recovery of Allowed Claims or Equity Interests
Class 4	Convenience Claims	Unimpaired	\$1 to \$2.5 million	100% ¹⁰
Class 5	CPFilms Claims	Impaired	\$8.4 million	100%
Class 6	NRD Claims	Unimpaired	Not applicable. NRD Claims will be Reinstated and paid in accordance with the terms of the Amended Plan and the Monsanto Settlement Agreement.	See Section III.B.6 of the Amended Plan.
Class 7	Insured Claims	Unimpaired	Not applicable. Holders of Insured Claims can recover against the applicable insurance policies.	See Section III.B.7 of the Amended Plan.
Class 8	Tort Claims	Unimpaired	Not applicable. Tort Claims will be unaffected by Solutia's Chapter 11 Cases and will be resolved in the ordinary course of business.	See Section III.B.8 of the Amended Plan.
Class 9	Legacy Site Claims	Unimpaired	Not applicable. Monsanto is taking financial responsibility for Legacy Site Claims.	See Section III.B.9 of the Amended Plan.
Class 10	Equity Interests in all Debtors other than Solutia	Unimpaired	Not applicable.	Not applicable.
Class 11	Monsanto Claim	Impaired	See Section VII.A.2(c) of this Disclosure Statement	See Section III.B.11 of the Amended Plan.
Class 12	Noteholder Claims	Impaired	\$455.4 million	88.4% ¹¹

Secured Notes Guarantors. Thus, if the Senior Secured Notes are determined by the Bankruptcy Court to be Impaired, the votes shall apply to Solutia and each of the Senior Secured Notes Guarantors. If the Senior Secured Notes Claims are determined by the Bankruptcy Court to be Unimpaired, the provisional Ballots will be disregarded and of no effect. For a further discussion regarding the Impairment dispute, see Section VIII.G.2 hereof.

⁹ Assumes an Effective Date of December 31, 2007. For a discussion regarding the dispute regarding the Allowed amount of the Senior Secured Note Claims, see Section VIII.G.2 hereof.

¹⁰ See Section III.B.4 of the Amended Plan.

¹¹ The recovery for the Noteholder Claims will be reduced by the imposition of the Prepetition Indenture Charging Lien, which allows the Prepetition Indenture Trustee to recover its fees and expenses, including attorney and
(Continued...)

Class	Claim/Equity Interest	Treatment of Claim/Equity Interest	Estimated Aggregated Amount of Allowed Claims or Equity Interests	Estimated Percentage Recovery of Allowed Claims or Equity Interests
Class 13	General Unsecured Claims	Impaired	\$317 million to \$367 million	83.1%
Class 14	Retiree Claim	Impaired	\$35 million	69.8% ¹²
Class 15	Pharmacia Claims	Impaired	Not applicable. See Note 13. ¹³	Not applicable. See Note 13.
Class 16	Non-Debtor Intercompany Claims	Impaired	\$108 million	40%
Class 17	Debtor Intercompany Claims	Impaired	\$2.44 billion	0%
Class 18	Axio Claims	Impaired	Not applicable. Holders of Claims in Class 18 will receive no distribution under the Amended Plan.	0%

other professional fees, from the Noteholders, because the fees and expenses of the Prepetition Indenture Trustee will not be paid in full by the Debtors. However, the Global Settlement allows for the payment of \$8 million in the aggregate of the reasonable fees and expenses of the professionals of the Ad Hoc Notes Committee and the Prepetition Indenture Trustee as described in Section V.B.13 of the Amended Plan, which may defray some of this cost.

¹² The estimated recovery for the Retiree Claim does not include the future value of retiree, medical, life and disability benefits to be provided by Reorganized Solutia. The Retirees will not participate in the Rights Offering. Proceeds from the later sale of the New Common Stock distributed on account of the Retiree Claim will help to ensure that Reorganized Solutia is able to meet its future obligations to Retirees under the Retiree Settlement; the value of the New Common Stock therefore does not limit Reorganized Solutia's commitment to provide future welfare benefits pursuant to the terms of the Retiree Settlement Agreement.

¹³ Pursuant to the terms of the Amended Plan and the Monsanto Settlement Agreement, Pharmacia will receive a limited indemnity from Reorganized Solutia and a limited release from (a) the Debtors, Reorganized Solutia and their respective Estates for claims arising prior to the Effective Date, (b) Holders of Claims or Equity Interests for claims arising prior to the Effective Date (with the exception of Legacy Liabilities for the Shared Sites and Legacy Sites, Tort Claims, NRD Claims and governmental Claims), and (c) the Retirees' Committee, its members and professionals, for Claims relating to "retiree benefits" as defined in section 1114(a) of the Bankruptcy Code. See Section X.B of the Amended Plan and Section 5.02 of the Monsanto Settlement Agreement.

Class	Claim/Equity Interest	Treatment of Claim/Equity Interest	Estimated Aggregated Amount of Allowed Claims or Equity Interests	Estimated Percentage Recovery of Allowed Claims or Equity Interests
Class 19	Security Claims	Impaired	Holders of Security Claims will receive their Pro Rata share of the Distribution provided to Holders of Equity Interests in Class 20. ¹⁴	See Section III.B.19 of the Amended Plan.
Class 20	Equity Interests in Solutia ¹⁵	Impaired	Solely for purposes of tabulating votes to accept or reject the Amended Plan in accordance with section 1126(d) of the Bankruptcy Code, each share of common stock of Solutia will be deemed to be worth \$0.01.	See Section VII.A.2(i) of this Disclosure Statement.

C. PARTIES ENTITLED TO VOTE ON THE AMENDED PLAN

Under the provisions of the Bankruptcy Code, not all parties in interest are entitled to vote on a Chapter 11 plan. The following sets forth the Classes that are entitled to vote on the Amended Plan and the Classes that are not entitled to vote on the Amended Plan:

- Solutia is **NOT** soliciting votes from Holders of Claims in Classes 1, 2, 3, 4, 6, 7, 8, 9 and 10, because such Classes, and each Holder of a Claim in such Classes, are not Impaired under the Amended Plan. Pursuant to section 1126(f) of the Bankruptcy Code, such Classes are conclusively presumed to have accepted the Amended Plan.¹⁶
- Solutia is **NOT** soliciting votes from Holders of Claims in Classes 16 and 17 because such Classes are deemed to have accepted the Amended Plan.

¹⁴ As described herein, Solutia has moved to subordinate the Dickerson Claim pursuant to section 510(b) of the Bankruptcy Code. Solutia has not sought to subordinate any other proofs of claim to the level of Equity Interests. For a more detailed discussion of the Dickerson Claim and its potential to impact creditor and equity recoveries, see Section VII.B of this Disclosure Statement.

¹⁵ Holders of Equity Interests (other than Holders of common stock in Solutia) must convert their Equity Interests into common stock to participate in the Distributions provided hereunder.

¹⁶ As discussed in section VIII.G.2 hereof, Holders of Senior Secured Note Claims will receive a provisional Ballot only.

- Solutia is **NOT** soliciting votes from Holders of Claims in Class 18 because such Class is Impaired under the Amended Plan, and such Holders will not receive any Distributions under the Amended Plan. Pursuant to section 1126(g) of the Bankruptcy Code, such Class is deemed to have rejected the Amended Plan.
- Solutia **IS** soliciting votes to accept or reject the Amended Plan from those Holders of Claims and Equity Interests in Classes 5, 11, 12, 13, 14, 15, 19 and 20 as of October 22, 2007, which is the record date for voting on the Amended Plan (also defined in the Amended Plan as the “Voting Record Date”), because Claims and Equity Interests in these Classes are Impaired under the Amended Plan and the Holders of those Claims will receive Distributions under the Amended Plan.¹⁷ As such, the Holders of such Claims and Equity Interests have the right to vote to accept or reject the Amended Plan.

For a detailed description of the Classes of Claims and the Class of Equity Interests, as well as their respective treatment under the Amended Plan, see Exhibit A to this Disclosure Statement.

D. SOLICITATION PACKAGES

Accompanying this Disclosure Statement are copies of:

- the Amended Plan;
- the Disclosure Statement Order, including Exhibit A thereto, which, among other things, (a) approves this Disclosure Statement as containing “adequate information” in accordance with section 1125 of the Bankruptcy Code, (b) establishes the procedures for voting on the Amended Plan, (c) schedules a hearing to consider confirmation of the Amended Plan (the “Confirmation Hearing”), (d) sets the deadline for voting on and for objecting to confirmation of the Amended Plan and (e) approves the procedures for the Rights Offering, Claim Transfer and Equity Purchase; and
- procedures and exercise forms for the Rights Offering, Claim Transfer and Equity Purchase, as applicable;
- notice of the Confirmation Hearing (“Confirmation Hearing Notice”); and
- one or more Ballots and a return envelope, which are provided only to the Holders of Claims and Equity Interests in Classes 3, 5, 11, 12, 13, 14, 15, 19 and 20.^{18 19}

¹⁷ The Retiree Claim and all rights and obligations associated therewith, including voting on the Amended Plan, will be held and managed by the Retirees’ Committee as the authorized representative for the Retirees.

¹⁸ As discussed in section VIII.G.2 hereof, Holders of Senior Secured Note Claims will receive a provisional Ballot only.

¹⁹ Holders of Equity Interests in Class 20 will only receive a Solicitation Package if they hold at least 11 shares of common stock in Solutia, which would entitle them to a Distribution of an Equity Purchase Right under the
(Continued...)

E. VOTING INSTRUCTIONS

This Disclosure Statement, accompanied by a Ballot or Ballots to be used for voting on the Amended Plan, is being distributed to the Holders of Claims and Equity Interests in Classes 3, 5, 11, 12, 13, 14, 15, 19 and 20.²⁰ Only the Holders of Claims or Equity Interests in these Classes are entitled to vote to accept or reject the Amended Plan and may do so by completing the Ballot and returning it in the envelope provided.

Solutia, with the approval of the Bankruptcy Court, has engaged Financial Balloting Group LLC, 757 Third Avenue, New York, New York 10017, www.fbglc.com, as the claims, balloting, and solicitation agent (the "Voting Agent") to assist in the voting process. The Voting Agent will answer questions, provide additional copies of all materials, and oversee the voting process. The Voting Agent will also process and tabulate Ballots for each Class entitled to vote to accept or reject the Amended Plan.

The deadline to vote on the Amended Plan is 5:00 p.m. (Eastern Time) November 26, 2007 (the "Voting Deadline").

Amended Plan and therefore entitle them to vote on the Amended Plan. Under the terms of the Amended Plan, Reorganized Solutia is not required to make distributions of fractional shares of New Common Stock, Warrants, Equity Purchase Rights or Claim Purchase Rights.

²⁰ As discussed in Section VIII.G.2 hereof, Holders of Senior Secured Note Claims will receive a provisional Ballot only.

BALLOTS

Ballots and Master Ballots must be actually received by the Voting Agent by the Voting Deadline at the following address:

Solutia Balloting
c/o Financial Balloting Group LLC
757 Third Avenue, 3rd Floor
New York, New York 10017

If you received an envelope addressed to your Nominee, please allow enough time when you return your ballot for your Nominee to cast your vote on a Master Ballot before the Voting Deadline.

If you have any questions on the procedure for voting on the Amended Plan, please call the Voting Agent at the following telephone number:

(800) 809-3247

MORE DETAILED INSTRUCTIONS REGARDING HOW TO VOTE ON THE AMENDED PLAN ARE CONTAINED ON THE BALLOTS DISTRIBUTED TO HOLDERS OF CLAIMS AND EQUITY INTERESTS THAT ARE ENTITLED TO VOTE ON THE AMENDED PLAN. FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE COMPLETED, SIGNED AND RECEIVED BY 5:00 P.M. (EASTERN TIME), ON NOVEMBER 26, 2007.

ANY BALLOT THAT IS PROPERLY EXECUTED BY THE HOLDER OF A CLAIM OR EQUITY INTEREST, BUT WHICH DOES NOT CLEARLY INDICATE AN ACCEPTANCE OR REJECTION OF THE AMENDED PLAN OR WHICH INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE AMENDED PLAN, SHALL NOT BE COUNTED.

EACH HOLDER OF A CLAIM AND/OR EQUITY INTEREST MAY CAST ONLY ONE BALLOT PER EACH SUCH CLAIM OR INTEREST HELD. BY SIGNING AND RETURNING A BALLOT, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IN CLASSES 3, 5, 11, 12, 13, 14, 15, 19 AND 20 WILL CERTIFY TO THE BANKRUPTCY COURT AND SOLUTIA THAT NO OTHER BALLOTS WITH RESPECT TO SUCH CLAIM AND/OR EQUITY INTEREST HAVE BEEN CAST OR, IF ANY OTHER BALLOTS HAVE BEEN CAST WITH RESPECT TO SUCH CLASS OF CLAIMS AND/OR EQUITY INTERESTS, SUCH EARLIER BALLOTS ARE THEREBY SUPERSEDED AND REVOKED.

ALL BALLOTS ARE ACCOMPANIED BY RETURN ENVELOPES. IT IS IMPORTANT TO FOLLOW THE SPECIFIC INSTRUCTIONS PROVIDED ON EACH BALLOT.

FOR NOMINEES:

With respect to Noteholder Claims and Senior Secured Note Claims, Solutia will deliver Ballots to Nominees.²¹

The Nominees should deliver the Ballot and other documents relating to the Amended Plan, including this Disclosure Statement, to each Beneficial Owner (as defined in the Disclosure Statement Order) for which they serve as Nominee.

A Nominee has two options with respect to voting. Under the first option, the Nominee will forward the Solicitation Package to each Beneficial Owner for voting and include a return envelope provided by and addressed to the Nominee so that the Beneficial Owner may return the completed Beneficial Owner Ballot to the Nominee. Upon receipt of the Ballots, the Nominee will summarize the individual votes of its respective Beneficial Owners on the appropriate Master Ballot and then return the Master Ballot to the Voting Agent before the Voting Deadline.

Under the second option, if the Nominee elects to “prevalidate” Ballots:

- The Nominee shall forward the Solicitation Package or copies thereof (including (a) the Disclosure Statement (together with the Amended Plan annexed thereto as Exhibit A, and all other exhibits), (b) an individual Ballot that has been prevalidated, as indicated in paragraph (b) below, and (c) a return envelope provided by and addressed to the Voting Agent) to the Beneficial Owner within three (3) business days of the receipt by such Nominee of the Solicitation Package;
- To “prevalidate” a ballot, the Nominee shall complete and execute the Ballot and indicate on the Ballot the name of the registered Holder, the amount of securities held by the Nominee for the Beneficial Owner and the account number(s) for the account(s) in which such securities are held by the Nominee; and
- The Beneficial Owner shall return the prevalidated Ballot to the Voting Agent by the Voting Deadline.

If a Master Ballot is received after the Voting Deadline, the votes and elections on such Master Ballot will not be counted. The method of delivery of a Master Ballot to be sent to the Voting Agent is at the election and risk of each Nominee. Except as otherwise provided in this Disclosure Statement, such delivery will be deemed made only when the executed Master Ballot is actually received by the Voting Agent. Instead of effecting delivery by mail, it is recommended, though not required, that such entities use an overnight or hand delivery service.

²¹ As discussed in section VIII.G.2 hereof, the Holders of the Senior Secured Notes will receive a provisional Ballot only.

In all cases, sufficient time should be allowed to assure timely delivery. No Ballot should be sent to Solutia, or Solutia's financial or legal advisors, but only to the Voting Agent as set forth above.

Nominees must provide appropriate information for each of the items on the Master Ballot, including, without limitation, identifying the votes to accept or reject the Amended Plan.

By returning a Master Ballot, each Nominee will be certifying to Solutia and the Bankruptcy Court, among other things, that:²²

- it has received a copy of the Disclosure Statement and other solicitation materials annexed to the Disclosure Statement, and it has delivered the same to the Beneficial Owners such Nominee represents;
- it has received a completed and signed Ballot from each Beneficial Owner whose vote is reflected on such Master Ballot;
- it is a bank, broker or other nominee (or agent thereof) that holds the securities being voted on behalf of the Beneficial Owners identified on such Master Ballot;
- it has properly disclosed (a) the number of such Beneficial Owners, (b) the amount of the 2027/2037 Notes or Senior Secured Notes owned by each such Beneficial Owner, (c) each Beneficial Owner's respective vote, if any, concerning the Amended Plan and (d) the customer account, serial number and/or other identification number for each such Beneficial Owner;
- each such Beneficial Owner has certified to the Nominee that such Beneficial Owner has not submitted any other Ballots for such Claims held in other accounts or other names, or, if it has submitted another Ballot held in other accounts or names, that the Beneficial Owner has certified to the Nominee that such Beneficial Owner has cast the same vote for such Claims, and the undersigned has identified such other accounts or Owner and such other Ballots;
- it has been authorized by each such Beneficial Owner to vote on the Amended Plan; and
- it will maintain the original Beneficial Owner Ballot returned by each Beneficial Owner (whether properly completed or defective) for one year after the Voting Deadline (or such other date as is set by subsequent Bankruptcy Court order) for disclosure to the Bankruptcy Court or the Debtor, if so ordered.

²² For purposes of soliciting votes on the Amended Plan, The Wilmington Trust Company and The Bank of New York shall not constitute "Nominees" and are not responsible for sending any solicitation packages to or collecting and voting a Master Ballot for any Beneficial Owner of the 2027/2037 Notes or the Senior Secured Notes.

Each Master Ballot must be returned in sufficient time to allow it to be RECEIVED by the Voting Agent by no later than 5:00 p.m. (Eastern Time) on the date of the Voting Deadline.

F. THE CONFIRMATION HEARING

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Amended Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Amended Plan.

The Bankruptcy Court has scheduled the Confirmation Hearing for November 29, 2007 to take place at 11:00 a.m. (Eastern Time) (the "Confirmation Hearing Date") before the Honorable Prudence Carter Beatty, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of New York, located at Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

Objections to confirmation of the Amended Plan must be filed and served on Solutia, and certain other parties, by no later than November 21, 2007 at 5:00 p.m. (Eastern Time) (the "Plan Objection Deadline") in accordance with the Confirmation Hearing Notice that accompanies this Disclosure Statement. **UNLESS OBJECTIONS TO CONFIRMATION OF THE AMENDED PLAN ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE DISCLOSURE STATEMENT ORDER, THEY MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

Solutia will publish the Confirmation Hearing Notice, which will contain the Plan Objection Deadline and Confirmation Hearing Date, in the national edition of *The Wall Street Journal*, *The Financial Times* (U.S. edition), *St. Louis Post-Dispatch*, and *USA Today*, to provide notification to those persons who may not receive notice by mail.

G. CONFIRMATION OF THE AMENDED PLAN IS THE CULMINATION OF THE CHAPTER 11 CASES

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code enabling debtors to reorganize their businesses for the benefit of creditors and shareholders. In addition to permitting the rehabilitation of a debtor, chapter 11 promotes equality of treatment for similarly situated creditors and equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the bankruptcy commencement date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. The confirmation of a plan of reorganization by the Bankruptcy Court binds the debtor, any issuer of securities under the plan of reorganization, any person acquiring

property under the plan of reorganization, any creditor or equity interest holder of a debtor and any other person or entity as may be ordered by the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the Bankruptcy Court confirming a plan of reorganization discharges a debtor from any debt that arose prior to the confirmation of the plan of reorganization and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

H. EFFECT OF THE AMENDED PLAN ON SOLUTIA'S ONGOING BUSINESS

Solutia is reorganizing pursuant to chapter 11 of the Bankruptcy Code. As a result, the confirmation of the Amended Plan does not mean that Solutia will be liquidated or forced to go out of business. Reorganized Solutia will continue to operate Solutia's businesses going forward. More information about the operation of Reorganized Solutia's business can be found in Article VIII hereof.

III. IMPORTANT INFORMATION

SOLUTIA BELIEVES THAT THE AMENDED PLAN IS IN THE BEST INTERESTS OF ALL CREDITORS, RETIREES AND HOLDERS OF COMMON STOCK. SOLUTIA URGES ALL CREDITORS AND HOLDERS OF COMMON STOCK ENTITLED TO VOTE ON THE AMENDED PLAN TO VOTE IN FAVOR OF THE AMENDED PLAN AND URGES ALL RETIREES TO SUPPORT THE RETIREE SETTLEMENT AGREEMENT.

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, THE OFFICIAL COMMITTEE OF RETIREES, THE AD HOC TRADE COMMITTEE, THE AD HOC NOTES COMMITTEE, THE PREPETITION INDENTURE TRUSTEE AND THE OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS SUPPORT THE AMENDED PLAN. THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, THE OFFICIAL COMMITTEE OF RETIREES, THE AD HOC TRADE COMMITTEE, THE AD HOC NOTES COMMITTEE AND THE OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS URGE ALL CREDITORS AND HOLDERS OF COMMON STOCK TO VOTE IN FAVOR OF THE AMENDED PLAN. THE RETIREES' COMMITTEE URGES ALL RETIREES TO SUPPORT THE RETIREE SETTLEMENT AGREEMENT.

THE CONFIRMATION AND EFFECTIVENESS OF THE AMENDED PLAN ARE SUBJECT TO CERTAIN MATERIAL CONDITIONS PRECEDENT, AS STATED IN ARTICLE XII OF THIS DISCLOSURE STATEMENT. THERE IS NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED.

APPROVAL OF THE AMENDED PLAN IS SUBJECT TO A DETERMINATION BY THE BANKRUPTCY COURT THAT THE GLOBAL SETTLEMENT BETWEEN AND AMONG SOLUTIA, MONSANTO, PHARMACIA, THE CREDITORS' COMMITTEE, THE RETIREES' COMMITTEE, THE AD HOC NOTES COMMITTEE,

THE PREPETITION INDENTURE TRUSTEE AND THE EQUITY COMMITTEE THAT IS INCORPORATED INTO THE AMENDED PLAN, INCLUDING THE MONSANTO SETTLEMENT AGREEMENT AND THE RETIREE SETTLEMENT AGREEMENT, IS REASONABLE. IF THE BANKRUPTCY COURT DETERMINES THAT THE GLOBAL SETTLEMENT, THE MONSANTO SETTLEMENT AGREEMENT AND/OR THE RETIREE SETTLEMENT AGREEMENT ARE NOT REASONABLE, THE AMENDED PLAN WILL NOT GO FORWARD AS PROPOSED BECAUSE IT WILL NOT BE CONFIRMABLE UNDER THE BANKRUPTCY CODE.

CREDITORS AND HOLDERS OF COMMON STOCK ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING, WITHOUT LIMITATION, THE AMENDED PLAN, WHICH IS ANNEXED HERETO AS EXHIBIT A, AND THE MATTERS DESCRIBED IN ARTICLE XI OF THIS DISCLOSURE STATEMENT, ENTITLED "RISK FACTORS," PRIOR TO SUBMITTING BALLOTS TO VOTE ON THE AMENDED PLAN.

THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT OF THE MERITS OF THE AMENDED PLAN BY THE BANKRUPTCY COURT.

SUMMARIES OF THE AMENDED PLAN AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE AMENDED PLAN AND THE EXHIBITS AND SCHEDULES ATTACHED TO THE AMENDED PLAN AND THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE OF THIS DISCLOSURE STATEMENT, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE. EXCEPT AS OTHERWISE PROVIDED IN THE AMENDED PLAN OR IN ACCORDANCE WITH APPLICABLE LAW, SOLUTIA IS UNDER NO DUTY TO UPDATE OR SUPPLEMENT THIS DISCLOSURE STATEMENT.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES TO, AND CONFIRMATION OF, THE AMENDED PLAN AND MAY NOT BE RELIED ON FOR ANY OTHER PURPOSE. SOLUTIA BELIEVES THAT THE SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED PLAN AND CERTAIN OTHER DOCUMENTS AND FINANCIAL INFORMATION CONTAINED OR REFERENCED IN THIS DISCLOSURE STATEMENT IS FAIR AND ACCURATE. THE SUMMARIES OF THE FINANCIAL INFORMATION AND THE DOCUMENTS ANNEXED TO THIS DISCLOSURE STATEMENT, INCLUDING, BUT NOT LIMITED TO, THE AMENDED PLAN, THE PLAN DOCUMENTS AND THE MONSANTO SETTLEMENT AGREEMENT, OR INCORPORATED HEREIN BY REFERENCE, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THOSE DOCUMENTS. IN THE EVENT

OF ANY INCONSISTENCY BETWEEN THE DISCLOSURE STATEMENT AND THE AMENDED PLAN, THE RELEVANT PROVISION OF THE AMENDED PLAN, AS IT RELATES TO SUCH INCONSISTENCY, SHALL GOVERN.

NO REPRESENTATIONS CONCERNING SOLUTIA OR THE VALUE OF SOLUTIA'S PROPERTY HAVE BEEN AUTHORIZED BY SOLUTIA OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY INFORMATION, REPRESENTATIONS OR INDUCEMENTS MADE TO OBTAIN ACCEPTANCE OF THE AMENDED PLAN, WHICH ARE OTHER THAN OR INCONSISTENT WITH THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND IN THE AMENDED PLAN, SHOULD NOT BE RELIED ON BY ANY CREDITOR ENTITLED TO VOTE ON THE AMENDED PLAN.

SOME OF THE SHARES OF THE NEW COMMON STOCK DESCRIBED IN THIS DISCLOSURE STATEMENT WILL BE ISSUED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR SIMILAR FEDERAL, STATE, LOCAL OR FOREIGN LAWS, IN RELIANCE ON THE EXEMPTION SET FORTH IN SECTION 1145 OF THE BANKRUPTCY CODE. OTHER SHARES OF THE NEW COMMON STOCK MAY BE ISSUED PURSUANT TO OTHER APPLICABLE EXEMPTIONS UNDER THE FEDERAL SECURITIES LAWS. TO THE EXTENT SUCH EXEMPTIONS MAY APPLY, SUCH SECURITIES MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT.

BECAUSE THE SHARES OF NEW COMMON STOCK ISSUED TO THE BACKSTOP INVESTORS AND MONSANTO MAY NOT BE EXEMPT FROM REGISTRATION PURSUANT TO SECTION 1145 OF THE BANKRUPTCY CODE, MONSANTO, THE BACKSTOP INVESTORS AND SOLUTIA HAVE AGREED TO ENTER INTO A REGISTRATION RIGHTS AGREEMENT WHICH WILL PERMIT MONSANTO AND THE BACKSTOP INVESTORS TO REGISTER SHARES OF NEW COMMON STOCK THAT THEY RECEIVE UNDER THE AMENDED PLAN IN ACCORDANCE WITH THE TERMS THEREOF. THESE REGISTRATION RIGHTS AGREEMENTS ARE ATTACHED AS EXHIBITS TO THE AMENDED PLAN.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY SIMILAR FEDERAL, STATE, LOCAL OR FOREIGN REGULATORY AGENCY, NOR HAS THE SEC OR ANY OTHER SUCH AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT.

SOLUTIA HAS SOUGHT TO ENSURE THE ACCURACY OF THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT, BUT THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT HAS NOT BEEN AND WILL

NOT BE AUDITED OR REVIEWED BY SOLUTIA'S INDEPENDENT AUDITORS UNLESS EXPLICITLY PROVIDED OTHERWISE.

SOLUTIA MAKES STATEMENTS IN THIS DISCLOSURE STATEMENT THAT ARE CONSIDERED FORWARD-LOOKING STATEMENTS UNDER THE FEDERAL SECURITIES LAWS. SOLUTIA CONSIDERS ALL STATEMENTS REGARDING ANTICIPATED OR FUTURE MATTERS, INCLUDING THE FOLLOWING, TO BE FORWARD-LOOKING STATEMENTS:

- any future effects as a result of the pendency of the Chapter 11 Cases;
- Solutia's expected future financial position, liquidity, results of operations, profitability and cash flows;
- dividends;
- financing plans;
- competitive position;
- business strategy;
- budgets;
- projected cost reductions;
- projected and estimated liability costs, including pension, retiree, tort and environmental costs and costs of environmental remediation;
- results of litigation;
- plans and objectives of management for future operations;
- contractual obligations;
- off-balance sheet arrangements;
- growth opportunities for existing products and services;
- price increases;
- general market conditions;
- benefits from new technology; and
- effect of changes in accounting due to recently issued accounting standards.

THESE STATEMENTS ARE NOT GUARANTEES OF SOLUTIA'S FUTURE PERFORMANCE. THESE STATEMENTS REPRESENT SOLUTIA'S ESTIMATES AND ASSUMPTIONS ONLY AS OF THE DATE SUCH STATEMENTS WERE MADE. THERE ARE RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE DEBTORS' ACTUAL PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM THOSE THEY MAY PROJECT AND SOLUTIA UNDERTAKES NO OBLIGATION TO UPDATE ANY SUCH STATEMENT. THESE RISKS, UNCERTAINTIES AND FACTORS INCLUDE:

- Solutia's ability to demonstrate that the Global Settlement, including the Monsanto Settlement Agreement and the Retiree Settlement Agreement, is reasonable pursuant to Bankruptcy Rule 9019 and other applicable bankruptcy law;
- Solutia's ability to demonstrate that the Chocolate Bayou Settlement is reasonable pursuant to Bankruptcy Rule 9019 and other applicable bankruptcy law;
- Solutia's ability to develop, confirm and consummate the Amended Plan;
- Solutia's ability to reduce its overall financial leverage;
- the potential adverse impact of the Chapter 11 Cases on Solutia's operations, management and employees, and the risks associated with operating businesses in the Chapter 11 Cases;
- the applicable Debtors' ability to comply with the terms of the DIP Credit Facility;
- customer response to the Chapter 11 Cases;
- general economic, business and market conditions;
- currency fluctuations;
- interest rate fluctuations;
- price increases or shortages of raw materials and energy;
- disruption of operations;
- exposure to product liability and other litigation, environmental remediation obligations and other environmental liabilities;
- lower prices for Solutia's products or a decline in Solutia's market share due to competition or price pressure by customers;
- ability to implement cost reduction initiatives in a timely manner;
- ability to divest existing businesses;
- efficacy of new technology and facilities;
- limited access to capital resources;
- changes in domestic and foreign laws and regulations;
- general market conditions;
- geopolitical instability;
- changes in pension and other post-retirement benefit plan assumptions; and
- the enactment of legislation increasing funding obligations to the Solutia Pension Plan.

IV. OVERVIEW OF SOLUTIA'S BUSINESS

Solutia, together with its wholly owned debtor subsidiaries and wholly owned non-debtor foreign subsidiaries, is a global organization that manufactures and sells chemical-based materials for industrial and consumer use. Solutia is a world leader in a number of markets. Solutia is currently organized in five business units:

- Solutia's integrated Nylon business produces fibers, plastics and high-performance polymers for a variety of applications from carpet to automotive parts. Solutia's Nylon business is one of the world's few fully integrated producers of Nylon 6,6.
- Solutia's Saflex business manufactures PVB, plastic interlayers that are used in laminated safety glass in automotive and architectural applications. Solutia is a leader in the laminated glass industry and is the world's largest manufacturer of PVB.
- Solutia's recently acquired Flexsys business is a leading producer of chemicals for the rubber industry.
- Solutia's CPFilms business is the world leader in custom-coated window films for aftermarket automotive and architectural applications, as well as other precision coating applications.
- Solutia's Specialty Products business is comprised of a group of specialty industrial chemical products, including heat transfer fluids and aviation hydraulic fluids, used in a variety of industrial applications and a plastic products business focusing on entrance matting and automotive spray suppression flaps. Solutia is a world leader in many of the markets for these niche businesses.

A. CORPORATE HISTORY AND EVENTS LEADING TO THE FILING OF THE CHAPTER 11 CASES

In 1997, Old Monsanto (referred to herein as Pharmacia) formed Solutia to hold and operate substantially all of the assets and liabilities of Old Monsanto's historical chemicals business, including the Legacy Liabilities, which related to contingent tort liabilities, environmental remediation, pension obligations and certain retiree medical and other benefits. Solutia was spun off to Old Monsanto's shareholders pursuant to the terms of a Distribution Agreement, dated September 1, 1997, between Solutia and Old Monsanto (the "Spinoff").

From the Spinoff until 1999, Solutia was a profitable business. However, beginning in late 1999 and continuing through 2003, a general downturn in the economy, increasing raw material prices and excess capacity in the chemicals markets began to negatively impact Solutia's financial results. Despite cost cutting efforts, this negative trend continued. During this timeframe, the more than \$100 million per year that Solutia was spending on account of the Legacy Liabilities transferred to it at the time of the Spinoff began imposing significant financial burdens on the Company. The terrorist attacks on September 11, 2001 compounded the financial burdens on Solutia. Because Solutia's raw materials are derivatives of crude oil, Solutia's costs

for raw materials skyrocketed after September 11th. At the same time, demand for Solutia's end products (particularly nylon) plummeted in the economic downturn following September 11th. Moreover, as a result of negative publicity surrounding PCB-related litigation filed against Solutia and Monsanto in Anniston, Alabama, Solutia was unable to refinance its senior debt facility on favorable terms. Faced with the challenges presented by the Legacy Liabilities, the continuing economic downturn, high raw materials costs and unfavorable debt terms, Solutia took several actions in an attempt to improve its financial condition and mitigate the burdens imposed by the Legacy Liabilities, including reducing costs and headcount, seeking a reallocation of the risk related to Legacy Liabilities among Solutia, Pharmacia and Monsanto, settling the Anniston PCB cases and refinancing its Bank Credit Agreement. Despite these efforts to restructure its liabilities out of court, Solutia continued to face deteriorating liquidity and a substantial Legacy Liability burden. Accordingly, on December 17, 2003, Solutia commenced the Chapter 11 Cases.

V.

EVENTS DURING THE CHAPTER 11 CASES

As set forth in greater detail below, during the Chapter 11 Cases, Solutia has expended substantial effort to stabilize and improve its businesses. As part of these efforts, Solutia obtained various critical first-day orders to allow a smooth transition into bankruptcy, obtained favorable DIP financing, took actions to retain employees essential to a successful reorganization process, retained restructuring and other professionals and made significant management changes. In addition, Solutia developed and implemented a reorganization strategy to address the factors that led to its bankruptcy filing and to position Solutia to thrive upon emergence from bankruptcy. Solutia believed that these Chapter 11 Cases would allow Solutia to, among other things, reduce, eliminate or reallocate the Legacy Liabilities.

A. STABILIZATION OF BUSINESS OPERATIONS

1. First Day Relief

Through a careful review of their business operations and cash requirements, Solutia entered bankruptcy with minimal impact on their day-to-day business operations. Integral to this transition were certain "first day" orders entered by the Bankruptcy Court that provided, among other things, flexibility in cash management, the ability to use cash collateral and the ability to pay certain prepetition vendors. In addition, Solutia engaged in an extensive communication program with vendors and customers assuring them that the transition into bankruptcy would be smooth and there would be no interruption in the purchase or supply of goods by Solutia.

On the Petition Date, Solutia sought and obtained several orders authorizing Solutia to pay various prepetition Claims. These orders were designed to ease the strain on Solutia's relationships with employees, vendors, customers and taxing authorities as a consequence of the commencement of the Chapter 11 Cases. Among other things, these orders authorized Solutia to: (a) honor customer prepayments for goods and services; (b) maintain business support programs; (c) make certain pass-through payments to customers received on the customers' behalf under certain arrangements; (d) honor customer and dealer Claims for prepetition refunds,

rebates and adjustments, including adjustments to billing, product returns or exchanges, as well as promotional discounts and other credits; (e) maintain cash management systems; (f) use prepetition bank accounts, checks, and other business forms; (g) pay outstanding prepetition trust fund taxes; and (h) pay certain prepetition employee wage and benefit claims.

Additionally, Solutia obtained authority to pay the prepetition Claims of certain vendors and service providers. Solutia's ability to pay the Claims of these vendors was critical to maintaining ongoing business operations due to the Solutia's inability to acquire essential replacement goods and services of the same quality, reliability, cost or availability from other sources.

Finally, the Bankruptcy Court entered an interim order, which was made final on January 20, 2004, permitting Solutia to use cash collateral in accordance with an agreed budget.

2. DIP Financing

A critical goal of Solutia's business stabilization efforts was to ensure that Solutia maintained sufficient liquidity to operate their businesses during the Chapter 11 Cases. Solutia addressed their initial liquidity needs by securing an interim debtor-in-possession financing package. On December 19, 2003, Solutia, Solutia Business Enterprises Inc. and each of Solutia's other Debtor subsidiaries entered into a Finance Agreement with Ableco Finance LLC, Wells Fargo Foothill, Inc., Congress Financial Corporation and the lenders from time to time party thereto (the "Interim DIP Facility"). The Interim DIP Facility provided up to \$500 million in debtor-in-possession financing, which was secured by substantially all of Solutia's assets and from which Solutia made an initial borrowing of \$75 million.

After an orderly transition into bankruptcy that was facilitated by the procurement of the Interim DIP Facility and the other stabilization activities described above, Solutia solicited and received expressions of interest in providing final debtor-in-possession financing from a number of financial institutions. Competition among financial institutions allowed Solutia to obtain a final debtor-in-possession financing package with substantially better terms than those of the Interim DIP Facility. On January 16, 2004, pursuant to authorization from the Bankruptcy Court, Solutia entered into a \$525 million Financing Agreement among Solutia and Solutia Business Enterprises Inc., as borrowers, all of the other Debtors, as guarantors, Citicorp USA, Inc., as administrative, collateral and documentation agent, and Citibank, N.A., as issuer (the "DIP Credit Facility"). The DIP Credit Facility was used by Solutia and its Debtor subsidiary Solutia Business Enterprises Inc. to retire their respective obligations under the Bank Credit Agreement and the Interim DIP Facility.

The DIP Credit Facility, as amended, consists of: (a) a \$975 million fully drawn term loan, and (b) a \$250 million borrowing-based revolving credit facility, which includes a \$150 million letter of credit subfacility. The net proceeds from the sale of the Solutia's Dequest® water treatment phosphonates business were used to pay-down the balance of the term loan. The maturity date of the DIP Credit Facility is March 31, 2008.

