PLAINTIFF'S EXHIBIT

MON-363

86 33 J673

517

RECD S.E.C. NOV 24 1986 86

FORM 8-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

CURRENT REPORT

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

Date of Report (Date of earliest event reported)
August 1, 1986

STERLING CHEMICALS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of organization)

(Commission File No.)	76-0185186 (IRS Employer Identification No.)

Suite 3700
333 Clay Street
Houston, Texas 77002
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (713) 650-3700

Eight Greenway Plaza
Suite 702
Houston, Texas 77046
(Former name or former address, if changed since last report.)

Exhibit Index appears on sequentially numbered page 4.

EXHIBIT NO. 10.1

ASSETS PURCHASE AGREEMENT

BETWEEN

STERLING CHEMICALS, INC.
"Buyer"

AND

MONSANTO COMPANY
"Seller"

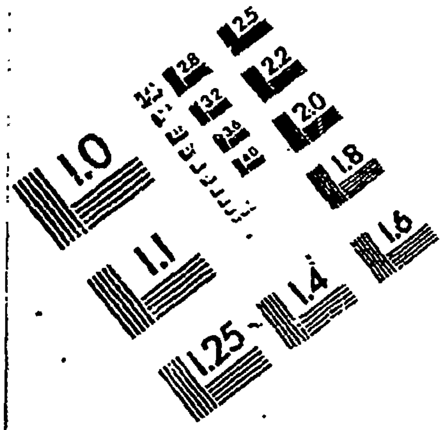
Dated August 1, 1986

00175

TABLE OF CONTENTS

[illegible]

85JLBSEE



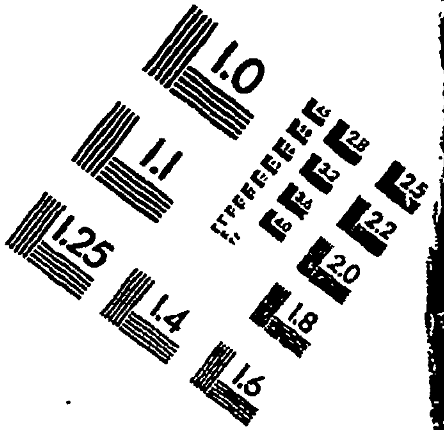
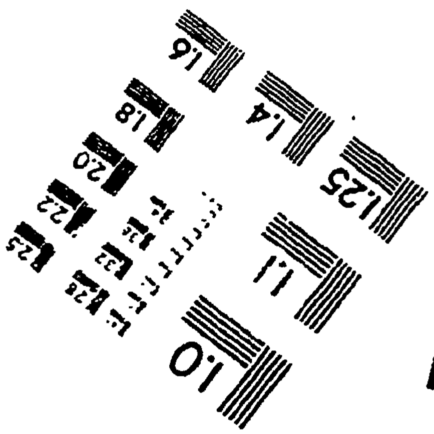
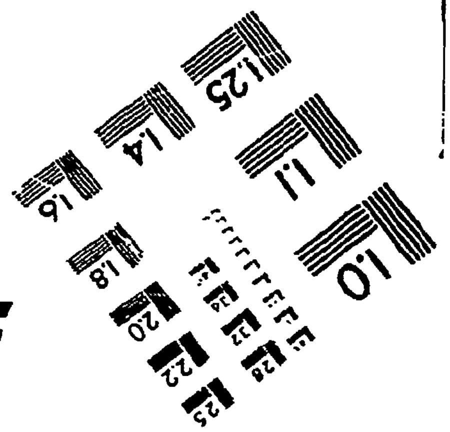
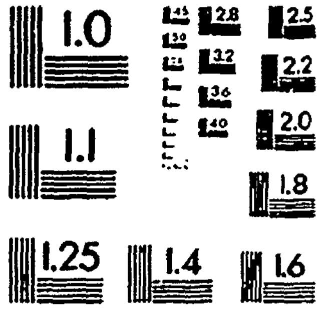
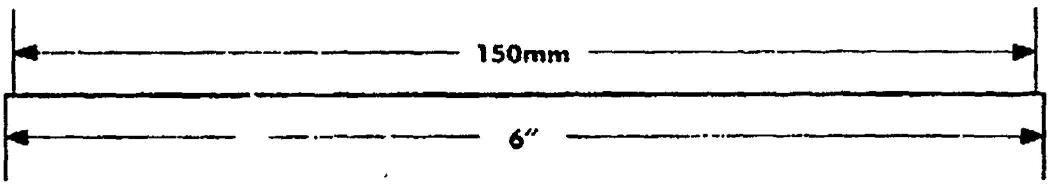


IMAGE EVALUATION TEST TARGET (MT-3)









BECHTEL

Information Services

15740 Shady Grove Road
Gaithersburg, Maryland 20877-1454

LIST OF EXHIBITS TO THE ACQUISITION AGREEMENT

Exhibit No.	Contents
1.2(a)-1	Map of Texas City Plant site
1.2(a)-2	Title Insurance Commitment
1.2(a)-3	Real property metes and bounds
1.2(b)	List of Realty Rights
1.2(c)	List of Products
1.2(d)	List of Rolling Stock to be conveyed to Sterling by Monsanto
1.2(h)	List of transferable franchises, licenses, permits and rights to be transferred
1.2(k)	List of Pipeline Interests to be transferred
1.4(a)	Form of Special Warranty Deed
1.4(b)	Exceptions to Special Warranty Deed
1.4(c)	Form of Bill of Sale
1.4(e)	Form of Instrument of Conveyance, Transfer and Assignment
1.4(h)	List of Rolling Stock to be conveyed to Sterling by third parties
2.1(a)	Form of License Agreement
2.3	Form of Acrylonitrile Technical Assistance Agreement
4.1(a)	List of Plant Site Finished Goods and Products not transferred
4.1(b)	List of Off-Plant Site Inventories to be transferred
4.1(c)	Form of Resale Certificate

4.2(a)	Form of Ammonia Sales Contract and Ammonia Exchange Contract
4.3	Market Values of Inventories
8.1(a)	List of non-Plant employees to whom Sterling shall offer employment
8.2(a)	Employee Agreements
8.2(b)	List of Secrecy Obligations
8.3(a)	Exceptions for Service Recognition
8.3(b)(ii)	Form of special custodial account for pension transfer
8.3(g)	Plant Employees Receiving Disability Benefits or on Salary Continuation
9	List of Capital Projects
10.1(a)	List of all Business Arrangements to be assigned
10.1(b)	Form of Assumption and Assignment Agreement
10.2	List of Business Arrangements not assigned
10.3(a)	Description of GCWDA Arrangements
10.3(b)	Description of North 80 and South 20
10.3(c)	Forms of Assignment and Assumption Agreement relating to GCWDA
10.3(d)	Form of incineration option with GCWDA
12.1(d)	List of Monsanto's Lien exceptions
12.1(e)	List of reports on equipment condition
12.1(g)	List of exceptions to compliance with environmental laws and permits
12.1(i)	List of Permit Exceptions

12.1(j)	List of preferential purchase rights or rights of first refusal
12.1(k)	List of tax reports not filed and taxes not paid
12.1(l)	List of defaults under Business Arrangements
12.1(m)	List of non-valid instruments
12.1(n)	List of over/under payments & deliveries
12.1(o)	List of non-conforming inventory
12.1(p)	List of legal actions etc.
12.1(r)	List of other technology
12.1(s)	List of Monsanto benefit plans
12.1(t)	List of defaults in collective bargaining agreements
12.1(u)-1	List concerning non-environmental laws
12.1(u)-2	Disclosures concerning compliance with Occupational Health and Safety Act
12.1(v)	List of other material agreements
12.1(w)	List of bonds, deposits, financial assurance requirements and insurance coverage submitted to regulatory authorities
12.1(x)	List of other Permits
12.1(y)	List of other Pipeline Interests
12.1(z)	List of Monsanto's corrections to Sterling's Representations and Warranties
12.1(aa)	List of Other Galveston County Real Estate Interests
12.1(bb)	List of Historical Deep Operating Conditions
12.2(e)	List of Sterling's corrections to Monsanto's representations and warranties

15	Form of GCWDA water treatment contract
16	Forms of product agreements and raw material agreements
17(a)	Contract for Monsanto supplied services to Sterling
17(b)	Contract for Sterling supplied services to Monsanto
20	List of Sterling's Representatives
24.2-1	Description of Deep Wells
24.2-2	Operating Conditions
24.2-3	Form of Surface Treatment Technology Agreement
24.5-1	Sites/facilities identified for closure in Monsanto's Part B Permit Applications, Table VIII
24.5-2	Sterling Financial Assurance Requirements
27.5	Accounting Services Agreement
27.14	List of Finders' Fees

85JLBS/E-1

00492

ASSET PURCHASE AGREEMENT

THIS AGREEMENT, made and entered into as of this 1st day of August, 1986, by and between Sterling Chemicals, Inc., a Delaware corporation, having its principal place of business at Eight Greenway Plaza, Suite 702, Houston, Texas 77406 ("Buyer") and Monsanto Company, a Delaware corporation, having its principal place of business at 800 North Lindbergh Boulevard, St. Louis, Missouri 63167 ("Monsanto").

WITNESSETH:

WHEREAS, Monsanto is engaged in the business of manufacturing and selling various chemical products at its Texas City, Texas plant (the "Plant" or the "Texas City Plant"); and

WHEREAS, Buyer desires to purchase the Plant and certain related real property from Monsanto on the terms and conditions hereinafter set forth; and

WHEREAS, Monsanto desires to sell the Plant and certain related real property to Buyer on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, Monsanto and Buyer agree as follows:

W

ARTICLE I

PURCHASE AND SALE OF ASSETS

1.1 Purchase and Sale. Monsanto shall sell, license, convey, transfer or assign, as the case may be, and deliver to Buyer, and Buyer shall purchase from Monsanto, the assets described in Section 1.2 hereof (all such Assets being herein collectively referred to as the "Aggregate Assets" and individually referred to as an "Asset"). The Aggregate Assets shall not include the assets described in Section 1.3 hereof (such excluded assets being herein collectively referred to as the "Excluded Assets").

1.2 Assets to be Conveyed. Subject to Section 1.3, the Aggregate Assets to be sold, licensed, conveyed, transferred or assigned, as the case may be, and delivered to Buyer by Monsanto shall consist of the following:

(a) The parcels of land generally outlined in yellow and green on the map attached as Exhibit 1.2(a)-1 hereto and described in the title insurance commitment attached as Exhibit 1.2(a)-2 or described by metes and bounds or by block and lot number, in Exhibit 1.2(a)-3 attached hereto, together with all the right, title and interest of Monsanto in and to (i) buildings and other improvements constructed thereon, including fixtures of every kind and nature whatsoever on said land and the reversion or reversions, remainder or remainders, in and to said land, (ii) all and singular the tenements, hereditaments, easements, rights-of-way, rights, privileges and appurtenances to said land belonging thereto, including, without limitation, the entire right, title and interest of Monsanto, if any, in, to or under any streets, ways, alleys or gores adjoining said land, and all claims or demands whatsoever of Monsanto either in law or in equity, in possession or expectancy of, in and to said land, and (iii) all fixtures within the Plant, including the pipelines owned by Monsanto, fixed assets and personalty of a permanent nature owned by Monsanto annexed, affixed or attached to said land and/or buildings or other improvements thereon and used in the possession, occupation or enjoyment thereof, including, but without limiting the generality of the foregoing, all apparatus, appliances, machinery, equipment and articles owned by Monsanto and used to supply or provide or in connection with heat, gas, air conditioning, plumbing, water, lighting, power, elevator, sewerage, refrigeration, cooling, ventilation, sprinkler system and water heater (the "Real Property").

The area marked in yellow on the map attached hereto as Exhibit 1.2(a)-1 is sometimes referred to herein as the "Plant Site" and the area marked in green on such map is sometimes referred to herein as the "Buffer Property." The improvements, buildings, equipment, apparatus, appliances, machinery, articles and fixtures referred to in the preceding provisions of this Section 1.2(a) are sometimes referred to herein as "Fixtures and Improvements";

(b) all interest of Monsanto in and to the easement and leasehold interest as outlined in blue on Exhibit 1.2(a)-1 hereto and more specifically identified on Exhibit 1.2(b) hereto (the "Realty Rights");

(c) all tangible personal property (other than Fixtures and Improvements, Rolling Stock, Floating Stock and Inventories) owned by Monsanto and located on the Plant Site or on the Buffer Property, if any, in connection with the operation of the Plant and production at the Plant of the products listed in Exhibit 1.2(c) hereto (the "Products") and acetone cyanohydrin ("ACY"); (all such property collectively called the "Equipment");

(d) the trucks, trailers, rail cars and other certificated vehicles owned by Monsanto and described in Exhibit 1.2(d), (the "Rolling Stock");

(e) the acetic acid barge H-25 (Official Number 527030) owned by Monsanto including all machinery, anchors, chains, tackle, apparel, furniture, fittings, tools and all other equipment thereunto appertaining or belonging (the "Floating Stock");

(f) customer lists and customer data (including credit data), to the extent allowed by law, related to the sale of Products (other than tertiary butylamine ["TBA"] acetic acid, phthalic

W

00196

anhydride, oxo-alcohol and phthalate esters) for the calendar year 1985 and 1986 through Closing (the "Customer Data");

(g) current supplier lists and supplier data (for the calendar year 1985 and 1986 through Closing) related to the purchase of raw materials (to the extent that the Buyer takes over such raw material contracts) and other supplies used at the Plant (the "Supplier Data");

(h) all transferable franchises, licenses, permits or other rights granted by governmental authorities as more fully listed and described in Exhibit 1.2(h) hereto (the "Permits");

(i) existing documented plans or designs at the Plant Site for active capital and cost reduction projects to be completed, or planned for, or presently contemplated, at the Plant based on currently practiced process technology at the Plant; and any existing plans or designs at the Plant Site for acetic acid debottlenecking to 600,000,000 pounds per year and the syn gas reformer project which allows future shutdown of methanol ("Capital Project Plans");

(j) licenses of the Technology described in Article 2.1;

(k) Monsanto's interests in the pipelines and related easements outside the Plant Site listed in and more specifically described in Exhibit 1.2(k) hereto (the "Pipeline Interests");

(l) the goodwill related to the business of the Plant;

(m) the Business Arrangements to be assigned to Buyer pursuant and subject to Article 10 hereof;

003597

(n) the Inventories referred to in Article 4 ("Inventories"); and

(o) the Books and Records referred to in Article 13.

1.3 Assets Not to be Conveyed. The Aggregate Assets to be conveyed hereunder shall not include the Excluded Assets. The Excluded Assets shall be comprised of the following.

(a) all cash and bank deposits of whatever description;

(b) all accounts and notes receivable;

(c) deposits for utility services, credits and discounts applicable to periods prior to Closing;

(d) all leasehold and contract rights with respect to the tanker, Edgar M. Queeny;

(e) all trademarks, trade names and service marks owned by Monsanto or any company or entity in which Monsanto owns an interest, directly or indirectly;

(f) all of Monsanto's rights or sums presently or in the future due under all technology licensing arrangements with parties other than Buyer with respect to any Product;

(g) all patents related to any Product produced at the Plant except for the rights granted to Buyer under the licenses specifically provided for in Article [illegible]; and

(h) all claims and suits which Monsanto may have or hereafter acquire against third parties and refunds, credits and offsets from third parties arising out of all matters occurring prior to Closing.

1.4 <u>Conveyance Instruments and Related Matters</u>. At the Closing, the Aggregate Assets sh ll be conveyed by Monsanto to Buyer as follows:

(a) Monsanto shall convey to Buyer the Real Property and Fixtures and Improvements (to the extent any of the same constitute interests in real property) by special warranty deed in the form set forth in Exhibit 1.4(a) hereto subject, however, to the exceptions set forth in Exhibit 1.4(b) hereto.

(b) Monsanto shall provide to Buyer, at Monsanto's expense, at Closing title insurance commitments with respect to the Plant Site, Buffer Property and the Fixtures and Improvements issued by Ticor Title Insurance Company subject only to (i) the standard exceptions of such policies with the exception for Ad Valorem taxes limited to 1986 calendar year and the exception for surveys amended as set forth below in this subsection (b), and (ii) the matters set forth in Exhibit 1.4(b) hereto. Monsanto shall obtain a survey of the Plant Site (but not the Buffer Property) as necessary to enable the title insurance company to amend the standard preprinted survey exception to state "shortages in area" only. At Closing, Buyer shall reimburse Monsanto for obtaining such survey. [illegible] shall obtain a title insurance policy for that port[illegible] of the purchase price allocable to the Plant Site, the [illegible] Property and the Fixtures and Improvements. At Closing Monsanto shall reimburse Buyer for the cost of the first $10,000,000 of title insurance including the additional premiums charged for the amendment of the survey exception relation to such $10,000,000.

17

(c) Monsanto shall convey to Buyer the Equipment, Rolling Stock, Floating Stock and Inventories by a bill of sale in the form set forth in Exhibit 1.4(c) hereto, provided, however, that with respect to any Rolling Stock or Floating Stock as to which ownership is evidenced by a certificate of title or similar instrument required to be filed to evidence a transfer of title, such transfer shall be effected by the execution by Monsanto and delivery to Buyer of appropriate endorsements, certificates, affidavits and other instruments required to effect transfer of ownership to Buyer.

(d) Monsanto shall convey to Buyer the Business Arrangements, Pipeline Interests, Capital Project Plans, Permits and Realty Rights which constitute contractual rights or intangibles and the Union Agreements referred to in Section 6.4 by assignment and assumption agreements as provided in Article 10.

(e) Monsanto shall transfer to Buyer the Aggregate Assets by a general instrument of conveyance and assignment in the form set forth in Exhibit 1.4(e) hereto.

(f) Monsanto shall convey to Buyer the Pipeline Interests and Realty Rights, to the extent they constitute interests in real property, by recordable assignments, warranting title against claims by third parties claiming by, through or under Monsanto, but not otherwise (except for those matters which a physical inspection of the property or a survey would disclose). The parties shall secure, at Buyer's expense, a title commitment from Ticor Title Insurance Company of California covering the Realty Rights and Pipeline Interests, to the extent they constitute interests in real property and, notwithstanding the above, to the extent such commitment does not reflect Monsanto as owner of a Realty Right or Pipeline Interest or if a title commitment is not obtained, the assignment from Monsanto, as to such interests, shall be without warranty either express or implied. All assignments shall be subject to those matters reflected of record as evidenced by the title commitment.

(g) In addition, Buyer shall purchase at Closing from the lessor identified on Exhibit 1.4(h) hereto the rail cars listed in Exhibit 1.4(h) hereto for the purchase price referred to therein.

ARTICLE 2

TECHNOLOGY

2.1 Technology. At Closing, Monsanto shall grant to Buyer a royalty-free, nonexclusive, nonassignable (except to a subsequent owner of the Plant), license, in the form of Exhibit 2.1(a), to practice the technology, know-how and other proprietary rights described therein ("License Rights").

2.2 License Assignment. Monsanto shall assign to Buyer, and Buyer shall assume, Monsanto's existing licenses with:

(a) BASF Aktiengesellschaft, dated October 27, 1969, and subsequently amended and supplemented, for the operation and maintenance of the phthalic anhydride unit at the Plant to produce phthalic anhydride and to use and/or sell the phthalic anhydride so produced in accordance with the terms and conditions set forth therein (the "BASF License");

(b) CdF Chimie (as successor to Ugine Kuhlmann and Produits Chimiques Ugine Kuhlmann), dated February 7, 1969, March 21, 1975, and January 25, 1977 (and subsequently amended), for the operation and maintenance of the oxo-alcohol unit at the Plant to produce oxo-alcohol and to use and/or sell the oxo-alcohol so produced in accordance with the terms and conditions set forth therein (the "CdF Chimie License"); and

(c) Haldor Topsoe A/S, dated September 1, 1985, for the production of carbon monoxide rich gases by steam reforming of hydro-

00492 W

carbons in accordance with the terms and conditions set forth therein (the "Haldor Topsoe License"); and

(d) Rohm and Haas Company, dated July 23, 1974, but only to the extent required for the operation and the maintenance of the presently existing ACY unit at the Plant to produce ACY, and use and/or sell the ACY so produced in accordance with the terms and conditions set forth therein (the "Rohm and Haas License").

The BASF License, the CdF Chimie License, the Haldor Topsoe License and the Rohm and Haas License are sometimes referred to herein as the "Third Party Licenses".

2.3 Acrylonitrile Technical Assistance. At Closing, Monsanto and Buyer shall enter into the agreement in substantially the form set forth in Exhibit 2.3 hereto pursuant to which Buyer will receive technical services from Monsanto for one year in support of the acrylonitrile process technology licensed to Buyer pursuant to Exhibit 2.1(a). Buyer shall have the option to extend such agreement for one additional year.

f.

W

ARTICLE 3

PURCHASE PRICE, FUNDS, ASSUMPTION

3.1 Purchase Price. As payment for the Aggregate Assets, other than Inventories, Buyer shall pay to Monsanto at the Closing a total cash purchase price of One Hundred Sixty Million Dollars ($160,000,000.00). The purchase price shall be in addition to the other sums provided for in this Agreement to be paid by Buyer to Monsanto.

3.2 Sums Payable at Closing. At Closing, Buyer shall pay to Monsanto the amounts due under Articles 1, 3, 4, 9 and 10 and any other amounts due at Closing pursuant hereto or in connection with the transactions contemplated hereby.

3.3 Method of Payment. All amounts due from Buyer to Monsanto or from Monsanto to Buyer hereunder shall be paid in immediately available funds to such account(s) in such bank(s) as the party entitled to receive such funds shall designate to the other party.

ARTICLE 4

INVENTORIES

4.1 Inventories to be Transferred. The term "Inventories" for purposes of this Agreement shall mean (i) all inventory (except as listed in Exhibit 4.1(a) hereto) located on the Plant Site or Buffer Property if any at Closing, including, but not limited to, finished goods and Products, goods and Products in process, feedstocks, raw materials, fuel oil, stores, spare parts, containers, miscellaneous supplies and the uninstalled catalyst and (ii) such inventories of any of the foregoing for production of Product situated at Closing at a location other than on the Plant Site and specified and as limited in Exhibit 4.1(b) hereto, in each case whether on hand, on order, or in transit as of the Closing. Finished goods, raw materials and goods in process shall be claimed by Buyer as exempt from sale or use tax by furnishing Monsanto at Closing with a valid resale certificate as more specifically described in Exhibit 4.1(c) hereto. Included in the sale are the inventory value of balances due to or from Monsanto at the Closing on certain exchange, conversion, loan or swap arrangements as described on Exhibit 10.1(a). The settlement of such balances with the exchanger or converter will become the responsibility of the Buyer on the Closing Date.

4.2 Ammonia Contract. At Closing, Monsanto and Buyer shall enter into a swap or exchange agreement substantially in the form of Exhibit 4.2(a) hereto relating to the supply of ammonia to be used for Monsanto's purchase of acrylonitrile from Buyer and for Monsanto's operations at Chocolate Bayou, Texas.

4.3 Price. The selling price payable by Buyer for all of the Inventories other than stores, supplies and fuel oil shall be equal to the lower of the FIFO book value thereof or market value thereof as of the Closing Date. The selling price payable by Buyer for stores, supplies and fuel oil shall be equal to the book average actual cost thereof as of Closing Date. The market values as of the Closing shall be as set forth in Exhibit 4.3 hereto.

4.4 Payments and Determination of Inventories. For purposes of determining the amount payable by Buyer at Closing for Inventories, Monsanto has delivered to Buyer prior to Closing a good faith estimate of the Inventories which it believes will be transferred to Buyer at Closing together with a calculation of the cost or value price thereof in accordance with this Article 4 and such supporting data as Buyer has reasonably requested. The estimated cost or value shall constitute the amount payable by Buyer at Closing for Inventories ("Closing Date Inventory Amount"), subject to adjustment as set forth below.

On the Closing Date, a physical inventory shall be taken of the Inventories effective as of 12:01 a.m. on the Closing Date at the Plant by Plant personnel ("Inventory Accountant") and at other locations by appropriate persons. Representatives of Monsanto and Buyer and their respective audit firms may be present for the physical inventory. The Inventory Accountant shall also calculate the cost or value of the Inventories under the provisions of this Article 4, and make a written report to Monsanto and Buyer of (i) the amount of Inventories determined to be in existence on the Closing Date and (ii) the amount of the cost or value thereof under the provisions of this Article 4 ("Final Inventory Amount"). The Final Inventory Amount shall be subject to audit by the parties and/or their representatives, with final settlement within thirty (30) days after Closing. If the Final Inventory Amount is more than the Closing Date Inventory Amount, Buyer shall pay to Monsanto, in the manner provided in Section 3.3, the amount of the difference. If the Final Inventory Amount is less than the Closing Date Inventory Amount, Monsanto shall pay to Buyer, in the manner provided in Section 3.3, the amount of the difference.

ARTICLE 5

CONDITION OF ASSETS AND INVENTORIES

Except as provided in Section 12.1 or in documents or instruments to be delivered by Monsanto at Closing, c   s otherwise specifically set forth in this Agreement, the Aggregate Assets shall be sold by Monsanto and shall be purchased and accepted by Buyer on an "AS IS, WHERE IS" basis as of the Closing.

ARTICLE 6

TITLE AND RISK OF LOSS

Title, possession and risk of loss or destruction or damage to the Aggregate Assets shall pass to Buyer as of the effective time of Closing as provided in Article 26; provided, however that this Article 6 shall not diminish, limit or otherwise impair in any manner Buyer's or Monsanto's rights under the other provisions of this Agreement which apportion liability among the parties with respect to events, occurrences or omissions arising or occurring during specified periods.

ARTICLE 7

RECEIVABLES; PAYABLES; APPORTIONMENT UTILITIES; OTHER TAXES

7.1 Receivables. If any monies or other assets are received by Buyer to which Monsanto is entitled in connection with accounts receivable arising prior to Closing or otherwise, Buyer shall hold such monies and assets received by Buyer in trust for Monsanto and shall account for and pay same to Monsanto within fifteen (15) days of receipt. If any monies or other assets are received by Monsanto to which Buyer is entitled in connection with accounts receivable arising after Closing or otherwise, Monsanto shall hold such monies and assets received by Monsanto in trust for Buyer and Monsanto shall account for and pay same to Buyer within fifteen (15) days of receipt.

7.2 Payables. Buyer shall be responsible for the settlement of accounts payable related to the business of the Plant and for goods and services supplied or delivered to the Plant after the physical inventory on the Closing Date.

7.3 Apportionment. Ad valorem and similar taxes, paid utility charges applicable to periods following the Closing Data, prepaid rentals and other pre-payments and arrearage payments applicable to periods both prior to and after Closing Date with respect to the Aggregate Assets shall be prorated as of the Closing Date and amounts owing to Monsanto by Buyer or to Buyer by Monsanto, resulting from such proration, shall be settled within thirty (30) days after the amounts thereof are known and prorated. Any refunds or credits or discounts with respect thereto of

W

utility payments, security deposits or of any payment previously made by Monsanto shall belong to Monsanto. At or about the Closing, Buyer and Monsanto shall take readings or other measurements of gas, water, electricity and other utilities; such readings and measurements shall be binding, conclusive and used for purposes of the apportionment provided herein.

7.4 Other Taxes.

(a) Transfer or documentary taxes assessed upon or with respect to the documents required to transfer the Real Property to be transferred hereunder to Buyer and recording and filing fees with respect thereto shall be the responsibility of Buyer.

(b) Although it is not anticipated that there will be any sales, use and transfer taxes due and owing in connection with the transactions contemplated under this Agreement, to the extent there are any such taxes payable they shall be borne by Buyer and Buyer agrees to pay the same. In the event any state taxing authority assesses any such sales, use or transfer taxes against Monsanto, the parties shall follow the procedure set forth in Section 23.7 with respect thereto.

7.5 Liabilities. Except as otherwise provided for or contemplated in this Agreement or in the documents or instruments to be delivered at Closing, Buyer shall not assume any liabilities of Monsanto and Monsanto shall not be responsible for any liabilities of Buyer.

ARTICLE 8

PERSONNEL, EMPLOYMENT AGREEMENTS AND EMPLOYEE BENEFITS

8.1 Personnel. Buyer (i) shall offer employment to all hourly and salaried employees (subject to the execution by such salaried employees of employment/confidentiality agreements, substantially similar in substance as those presently used by Monsanto) of Monsanto who are employed full time at the Plant as of the Closing Date; provided, however, that the aggregate number of such personnel shall not exceed 890 and (ii) shall offer employment to certain Monsanto employees but who are not located at the Plant and who are listed in Exhibit 8.1(a), in each case on terms and conditions which are, at least in the aggregate, generally comparable to their current employment by Monsanto. Monsanto shall provide Buyer with certain relevant information with respect to such employees (to the extent permitted by law) including personnel files and documents, and assist Buyer in effecting their employment as of the Closing Date in an orderly fashion. Such employees who accept offers of employment by Buyer at Closing shall be referred to hereinafter as "Plant Employees". It is understood that the term "employed full time" or "full time employee" shall not include any employee who has notified Monsanto in writing of his intention to retire and that Buyer shall have no obligation to employ any such employee.

8.2 Existing Employment Agreements--Confidentiality. Nothing contained in this Agreement shall constitute a waiver or modification of, nor an amendment to, the obligations of the Plant Employees respecting confidential information of Monsanto under the employment agreements described in Exhibit 8.2(a) hereto, it being agreed that said obligations shall continue in accordance with the terms of such agreements; provided, however, that Monsanto shall release those of its employees who become employed by Buyer at Closing from their obligations of confidence as to Monsanto information to the extent necessary to enable them to perform their job responsibilities for Buyer in the current operation of the Plant except such employees shall not otherwise be released from secrecy obligations which Monsanto has to third parties, as disclosed on Exhibit 8.2(b) hereto.

8.3 Benefits.

(a) Recognition of Service. Buyer shall provide benefits to the Plant Employees as provided in subsections (b) through (h) below. The Plant Employees' years of service at Monsanto shall be recognized by Buyer for all purposes of determining benefit eligibility, vesting and level of benefits, except as otherwise provided in Exhibit 8.3(a) hereto.

(b) Pension Plans.

(i) As soon as practicable and effective as of the Closing Date, Buyer shall take all action necessary and appropriate to establish new pension plans ("Buyer's Pension Plans") equivalent to the retirement plans of Monsanto at Closing Date, which include the Monsanto Company Hourly-Paid Employees' Pension Plan (1986) and the Monsanto

Company Salaried Employees' Pension Plan (1986) ("Monsanto's Pension Plans"). For purposes of eligibility, vesting and benefit accrual under Buyer's Pension Plans, Buyer shall credit each Plant Employee with service ("Service") under the terms of Monsanto's Pension Plans as if such Service had been rendered to Buyer. The benefit payable at retirement under, or upon vested termination from, the applicable Buyer's Pension Plan shall be based on the benefit formula and all other factors then in effect under the applicable Buyer's Pension Plan applied to all combined pension service. Such benefit shall be offset by the benefit such Plant Employees would be entitled to receive under the applicable pension plan maintained by Monsanto covering such Plant Employees as of the Closing Date based solely on Service as of the Closing Date and calculated as a single life annuity as if such Plant Employees had commenced retirement benefits from Monsanto on the date of their retirement or termination from Buyer. As soon as practicable after the Closing Date, Monsanto shall deliver to Buyer a list of Plant Employees who had Service under Monsanto's Pension Plans, together with a listing of each such employee's service under such plans and his vested benefit thereunder.

(ii) Within 90 days of the Closing Date, Monsanto shall transfer to Buyer a cash amount ("Transferred Amount") which

Buyer shall immediately transfer to a special interest bearing custodial account more specifically described in Exhibit 8.3(b) (ii) hereto for the purpose of providing pension benefits for the Plant Employees.

The Transferred Amount shall be equal to the value, using the assumptions set forth in subparagraph (iii) below, of the benefit determined as follows for each Plant Employee ("Pension Benefit"):

(1) the projected single life annuity payable at age 63 under Monsanto's Pension Plans, and subject to the limitations set forth in Section 415 of the Internal Revenue Code of 1954, as amended ("Code"), as in effect as of the Closing Date multiplied by

(2) the ratio of actual Benefit Service with Monsanto (as defined in Monsanto's Pension Plans) on the Closing Date to the projected Benefit Service at age 63, offset by

(3) the vested benefit retained by Monsanto (calculated in the form of a single life annuity commencing at age 63).

(iii) The assumptions for determining the Pension Benefit in sub-paragraph (ii) shall be as follows:

(1) The salaries for Plant Employees shall increase 5.5% annually.

(2) The maximum Retirement Income Factor under the Monsanto Company Hourly-Paid Employees' Pension Plan (1986) shall be at $36.

(3) The retirement age shall be 63.

(4) The interest rate shall equal the greater of 8-1/2% or the yield on Treasury securities due 15 years from the Closing Date plus 1%.

(5) The mortality rate shall be the Pension Benefit Guaranty Corporation mortality rates used for terminating plans as of the Closing Date.

(6) A reduction of 10% of the Pension Benefit shall be made to anticipate termination prior to retirement or vesting.

(iv) Upon adequate representations to the custodian of the custodial account that Buyer has made contributions to Buyer's Pension Plans relative to the Plant Employees, as soon as practicable as and to the extent permitted under Section 404 of the Code, the custodian shall within a reasonable time release to the Buyer the portion of the Transferred Amount which represents the amount contributed by Buyer.

(v) Interest earned on the Transferred Amount shall be taxable to Buyer.

(vi) If within ten years following the Closing Date, any of the Buyer's Pension Plans is terminated in whole or in part or modified in a manner which reduces the pension benefit formula as it applies to future pay with respect to the Plant Employees, Buyer shall pay to Monsanto, within thirty (30) days after all required governmental approvals including the Pension Benefit Guaranty Corporation and the Internal Revenue Service under such termination, in a lump sum, an amount equal to the portion of the Transferred Amount which represents amounts which are no longer needed to fund such Pension Benefit as a result of such modification or termination. Such amounts would be paid from the custodial account or, if the amount in the custodial account is insufficient, from Buyer and would represent additional purchase price for the Assets.

(c) Savings and Investment Plan and Individual Retirement Account Plan. Effective as of the Closing Date, Buyer shall take all action necessary and appropriate to establish and maintain a new Savings and Investment Plan and a new Individual Retirement Account Plan generally equivalent to the Monsanto Savings and Investment Plan and the Monsanto Individual Retirement Account Plan at the Closing Date. Buyer shall recognize service with Monsanto for purposes of vesting and eligibility under such plans.

(d) Welfare and Other Non-Pension Fringe Benefits. Effective as of the Closing Date, Buyer shall take all action necessary and appropriate to establish and maintain new Medical Benefits,

iv

00707

Prescription Drug, Flexible Spending Account, Dental, Accident and Sickness, Disability, and Life Insurance and Optional Life Insurance Plans for active Plant Employees and retiree Medical Benefits and Life Insurance Plans for Plant Employees who retire after Closing Date generally comparable to those plans maintained by Monsanto at the Closing Date. Buyer shall also establish and provide Plant Employees with other welfare and fringe benefit plans and programs each of which is generally comparable to existing employee plans provided to such employees by Monsanto immediately prior to the Closing Date insofar as the benefits provided thereunder are disclosed in an employee plan listed in Exhibit 12.1(s) hereto.

(e) Medical and Dental Plans. Buyer shall waive all restrictions and limitations for pre-existing medical conditions under its Medical Benefits and Dental Plans. Buyer shall be responsible for all claims incurred by the Plant Employees after the Closing Date. Buyer shall also recognize all medical and dental expenses incurred by the Plant Employees during 1986 prior to the Closing Date for purposes of satisfying the existing calendar year deductibles. Monsanto shall reimburse Buyer for payment of eligible medical and dental costs incurred by Plant Employees prior to Closing Date.

(f) Retiree Life and Medical. Except as provided below, Buyer shall assume responsibility for any retiree medical and life insurance benefits to which a Plant Employee becomes entitled

00708

after Closing Date. Monsanto shall retain responsibility for any retiree medical and life insurance benefits for any Plant Employee who is at least age 55 with 10 or more years of service, as of the Closing Date, pursuant to the terms of the plans. Benefits under such retiree medical coverage shall be coordinated with all active employee medical entitlements provided by Buyer with Buyer serving as the "primary" provider. Following retirement from Buyer, such medical benefits shall be coordinated with the post-retirement medical benefits provided by Buyer with Buyer serving as primary provider.

(g) Disability. Buyer shall waive all restrictions and limitations for pre-existing medical conditions under its Disability Plans. Except as provided below, Buyer shall assume all responsibility for accident and sickness, short-term disability and long-term disability claims incurred by any Plant Employees after the Closing Date. Monsanto shall remain responsible for all total and permanent disabilities (including any disability, life and medical entitlements) determired as of the Closing Date. With respect to any Plant Employee who is receiving benefits under the Monsanto Disability Plans or on salary continuation due to disability or illness as of Closing Date [all such employees being listed in Exhibit 8.3(g)] and who is determined by Monsanto's physician to be Totally and Permanently Disabled as defined in the Monsanto Disability Plans at any time prior to returning to work and as a result of and within the thirty (30) month period after such Plant Employee's commencement of such disability or illness, Monsanto shall assume full responsibility for any and all future benefits as to such Plant Employee and Buyer shall have no further obligation to such Plant Employee upon such determination. Monsanto shall idemnify and hold harmless Buyer from and against any damages (including related legal fees and costs and expenses) arising from any determination by Monsanto's physician as to any such Plant Employee.

(h) Vacation. Buyer shall adopt vacation entitlement policies for the Salaried Plant Employees after Closing Date generally comparable to the policies described in Exhibit 12.1(s). With respect to all available, but unused, as well as future, but yet unmatured, vacation entitlements of the Plant Employees as of the Closing Date ("Vacation Entitlements"), each Salaried Plant Employee shall make a choice on or prior to Closing whereby he elects to receive a lump sum distribution for his Vacation Entitlement from Monsanto or to take his vacation in the normal course of business and is paid for such vacation by Buyer pursuant to Buyer's Vacation Entitlement policies for Salaried Plant Employees. For those Salaried Plant Employees who choose to take the lump sum payment from Monsanto for their Vacation Entitlements, Buyer will have no further obligation with respect to such employees' Vacation Entitlements other than to offer time off without pay at the time and to the extent of their Vacation Entitlements. Should any Salaried Plant Employees choose to take vacation in the normal course of business pursuant to Buyer's Vacation Entitlement policies, then Buyer shall assume the Vacation Entitlements of such Salaried Plant Employees as of Closing Date, and Monsanto shall reimburse Buyer within ninety (90) days after Closing for the Vacation Entitlements of such Salaried Plant Employees calculated on the basis of such Employee's wage or salary as of the Closing. In the event any Salaried Plant Employee fails to make such choice, he will be deemed to have elected a lump sum distribution.

8.4 Union Agreements. Buyer recognizes that the Texas City, Texas Metal Trades Council, AFL-CIO, the Associated Guards of the United States and the Operating Engineers - Local 347 (the "Unions") are the certified bargaining agents in applicable bargaining units for the Plant hourly employees, and that there is in effect between Monsanto and said Unions, as to those employees, agreements (the "Union Agreements"), a copy of each of which has been furnished to Buyer.

8.5 Cooperation of the Parties. Monsanto and Buyer shall fully cooperate with respect to each of the filings and calculations necessary

W

to effect the transactions contemplated by this Article 8 and in obtaining any governmental approvals required hereunder.

8.6 Employee Rights. Nothing herein expressed or implied shall confer upon any employee of Monsanto, any Plant Employee or any other employee or legal representatives thereof or any collective bargaining agent any rights or remedies, including any right to employment, or continued employment for any specified period, of any nature or kind whatsoever under or by reason of this Agreement and shall not create any presumptions in connection with the assumptions used in Subsections b (iii) (1) and b(iii) (2) of this Article 8.

00712

ARTICLE 9

CAPITAL PROJECTS

Monsanto and Buyer recognize that Monsanto is carrying out, in part with Monsanto personnel and in part under contracts made by Monsanto with third party suppliers of materials, equipment and services, various capital projects for the Texas City Plant which projects may or may not be completed ("Capital Projects"). A list of such Capital Projects current as of the last day of the month preceding Closing is set forth in Exhibit 9 hereto. With respect to the syn gas reformer revisions and installation of a replacement cold box to allow future shutdown of methanol, Buyer shall reimburse Monsanto at Closing for all Capital Project costs incurred prior to Closing. With respect to the balance of the projects referred to in the first sentence of this Article 9, Buyer shall reimburse Monsanto at Closing for all Capital Project costs incurred after March 13, 1986. As the basis for such payment at Closing, Monsanto has delivered to the Buyer prior to Closing a statement setting forth in reasonable detail, the estimated amount of the payment to be made for Capital Projects as of the Closing Date. Such estimated amount shall be adjusted to the actual amount after the Closing by completion of necessary records and reports, with final payment settlement within thirty (30) days after Closing. Following Closing, if Buyer chooses to continue any or all the capital projects described above, the costs and expenditures of such completion (including those of Monsanto at fully

W

allocated departmental cost plus 25% to the extent the parties agree to continued participation by Monsanto) shall be borne by Buyer.

\V

ARTICLE 10

BUSINESS ARRANGEMENTS

10.1 Assignment and Assumption of Business Arrangements. Except as otherwise set forth in this Article 10, Monsanto shall assign or transfer to Buyer all of Monsanto's rights and interests and Buyer shall assume and perform all of Monsanto's duties and obligations (subject to such rights and interests) accruing from and after the Closing under the sales, purchase, service, lease, utilities, water supply bonds, shipping, labor and other contracts, agreements and arrangements listed in Exhibit 10.1(a) hereto (collectively the "Business Arrangements" or "Arrangements"). Such assignment and assumption shall be effected by assignment and assumption agreements in the forms of Exhibit 10.1(b) hereto, such assignment and assumption agreements to be executed and delivered at the Closing; provided, however, that the parties recognize that a separate instrument or instruments of assignment and assumption may be necessary or proper with respect to certain Arrangements and, accordingly, the parties shall duly execute and deliver at the Closing or thereafter, as required, such separate instrument or instruments and take such further action as either party may reasonably request and as may be reasonably required to effect the assignment and assumption of all Arrangements.

10.2 Arrangements Not to be Assigned. The parties also recognize that certain business arrangements listed in Exhibit 10.2 hereto (the "Other Arrangements") shall not be assigned to Buyer.

00715 \V

10.3 <u>Gulf Coast Waste Disposal Authority Agreement</u>. As to Monsanto's treatment facility, pipeline, Landfill and Landfarm arrangements with the Gulf Coast Waste Disposal Authority ("GCWDA"), as more fully described in Exhibit 10.3(a) hereto Monsanto shall assign to Buyer or release to GCWDA for Buyer to establish separate arrangements with the GCWDA, the following portions of the capacities or services dedicated to Monsanto as follows: (a) 100,000 cubic yards of the remaining landfill capacity in the GCWDA landfill, (b) the treatment capacity assigned to Monsanto in the GCWDA treatment facility and (c) the sludge depository capacity assigned to Monsanto in the Landfarm and the Pipeline to the GCWDA treatment facility, reserving however to Monsanto in all cases sufficient capacity with respect to the water from the areas referred to by Monsanto as the "North 80" and the "South 20" as more specifically described in Exhibit 10.3 (b) hereto and additional ground water as required to fulfill Monsanto's obligations under Article 24. In the event of a release of Monsanto with respect to the treatment facility, Buyer shall be responsible for assuming Monsanto's semi-annual facilities charges from the GCWDA for use of the treatment facility. Such assignment and assumption or release shall be in the form of Exhibit 10.3(c) hereto. Monsanto shall be entitled to any amounts resulting from GCWDA's purchase of Monsanto's interest in, or arising from acquisition or development of, the GCWDA Landfarm and Landfill.

The parties understand that the GCWDA is planning to construct an incinerator and has offered commitments to potential users to participate at the cost of $6 per ton. Monsanto has, on behalf of Buyer, obtained a letter of commitment in the form of Exhibit 10.3(d) of 2,000 tons per year of capacity and Buyer shall reimburse Monsanto for the cost of such commitment at Closing and Monsanto shall transfer such commitment to Buyer at Closing.

10.4 Consents to Assignments. Each party shall assist the other in attempting to obtain any consents and releases required for the assignment of any Business Arrangement. If such consents and releases cannot be obtained, Buyer and Monsanto shall cooperate with each other in any reasonable arrangement designed to fulfill Monsanto's obligations without further cost, penalty or liability of or to Monsanto under such Business Arrangements and in order to give Buyer the benefits of such Business Arrangements, including without implied limitation (a) the performance by Buyer of Monsanto's obligations thereunder and the utilization of any Aggregate Assets and Inventories sold to Buyer as may be necessary to complete and fulfill such Business Arrangement; (b) Buyer's entering into a new arrangement with the other party to the Business Arrangement; and (c) the purchase of the involved material, utility or service from Monsanto.

10.5 Confidentiality Agreements Not Assigned to Buyer. Monsanto and Buyer hereby recognize, as between themselves, that Buyer shall be considered a third party beneficiary of confidentiality provisions between Monsanto and third parties as they relate to the proprietary rights and technical information covered by the License Rights and Third Party Licenses and Monsanto shall not make any assertions or take any positions contrary to such recognition in any proceeding to which Buyer is a party involving Buyer's enforcement of such confidentiality agreements.

ARTICLE 11

MONSANTO TRADEMARKS AND TRADE NAMES

This Agreement does not convey or transfer legal or equitable title to any trademarks, trade names or trade designations owned, used or controlled by Monsanto, or any entity in which Monsanto owns an interest. Specifically, no rights are in any way conveyed to the MONSANTO BLOCK M trademark or the trade name and trademark MONSANTO or in the SANTICIZER trademark. Also, no right, title, or interest, express or implied, is granted to Buyer to use any trademark, trade name or trade designation of Monsanto. Buyer shall, within ninety (90) days after the Closing, obliterate or remove all such trademarks, trade names or trade designations belonging or licensed to Monsanto which, after the Closing, remain on any of the Aggregate Assets. In the event said trademarks, trade names or trade designations are not obliterated or removed by Buyer within said ninety (90) days, Monsanto is hereby granted the right to obliterate or remove said trademarks, trade names and trade designations and the right to enter upon any premises of Buyer in order to do so. After the Closing Buyer shall not use Monsanto letterhead, purchase order forms, sales contracts, Material Safety Data Sheets or any other document or form with a Monsanto logo, provided, however, that during the ninety (90) days after Closing, Buyer may use such letterhead, purchase order forms, sales contracts, or Material Data Safety Sheets or other documents or forms at the Plant with the printed Monsanto logo so long as such logo or any other reference to Monsanto is blacked out and unreadable.

W

ARTICLE 12

REPRESENTATIONS AND WARRANTIES

12.1 Monsanto's Warranties. Monsanto shall represent and warrant to Buyer as follows as of Closing:

(a) Monsanto is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and duly qualified or licensed as a foreign corporation authorized to do business in Missouri and Texas and all states in which any of the Aggregate Assets may be situated and where such qualification or license is required.

(b) Monsanto has full corporate power and authority to execute and deliver this Agreement and all documents and instruments referred to herein or contemplated hereby and to carry out the terms and obligations hereof and thereof. Monsanto has taken all corporate action necessary to authorize the execution, delivery and performance of this Agreement and all documents and instruments referred to herein or contemplated hereby. This Agreement constitutes, and the other documents and instruments referred to herein or contemplated hereby will be when executed and delivered by Monsanto, valid and binding obligations of Monsanto, enforceable in accordance with their respective terms and conditions except as such enforcement may be limited by bankruptcy, insolvency, reorganisation, moratorium or other similar laws affecting enforcement of creditors rights

JW

generally and by general principles of equity (whether applied in a proceeding at law or in equity.)

(c) The execution, delivery and performance of this Agreement do not violate or constitute a default under any mortgage, indenture, promissory note or similar agreement to which Monsanto is a party, or by which it is bound, Monsanto's charter or bylaws, any court injunction or decree, or any valid and enforceable order of a governmental agency having jurisdiction over Monsanto.

(d) Except as disclosed in Exhibit 12.1(d) hereto, the Equipment, Rolling Stock, Inventories and Floating Stock being transferred pursuant hereto are free and clear (with respect to the ownership rights and interests being transferred) of any liens, pledges or encumbrances and the Customer Data, Supplier Data, Business Arrangements, Books and Records, Permits, Realty Rights, License Rights, Pipeline Interests and Third Party Licenses being transferred pursuant hereto are free and clear (with respect to the ownership rights and interests being transferred) of any liens, pledges or security interests, except, in each case, for (i) Permitted Encumbrances and (ii) a security interest in certain personal property covered under the Series 1981 Gulf Coast Waste Disposal Environmentel Improvement Revenue Bonds (Monsanto Project), as more fully described in Exhibit 12.1(d). As used herein, the term "Permitted Encumbrances" shall mean (i) materialmen's, mechanics', repairmen's, employees', contractors', operators', tax and other similar liens or charges arising pursuant to operations or work in the ordinary course of business incidental to construction, maintenance, or operation of the Aggregate Assets (aa) if they have not been filed pursuant to law, (bb) if filed, they have not yet become due and payable or payment is being withheld as provided by law, or (cc) if their validity is being contested in good faith by appropriate actions provided in each such case that Monsanto retains all responsibility for the payment of any thereof, (ii) minor defects and irregularities affecting any Asset such as not to impair materially and adversely the operation, value, marketability or use of a material Asset and (iii) rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate any Asset in any manner under any applicable law, rule, and order of any governmental authority.

(e) The reports listed in Exhibit 12.1(e) hereto furnished to Buyer or Buyer's Representative prior to Closing represent information concerning equipment condition and maintenance prepared by Monsanto during the ordinary course of business at the Plant and are an accurate description of the findings of Monsanto with respect to the state and condition of such equipment as of the date of the reports.

W

(f) During the period from the date of each of said reports listed in Exhibit 12.1(e) hereto and Closing, none of the Texas City Plant Manager, Plant Engineer or the Production General Superintendents have learned in actual fact of any Major Defect not disclosed in such reports or otherwise disclosed in writing to Buyer or Buyer's Representative. For purposes of the foregoing, a Major Defect means:

(i) a single defect learned of by any of said individuals as aforesaid but not disclosed by one of them and costing more than $500,000 in repair costs to remedy; or

(ii) a grouping of single defects, each learned of by one of said individuals as aforesaid (but not disclosed by one of them) and costing more than $250,000 but less than $500,000 each in repair costs to remedy and which in the aggregate costs more than $1,500,000 to remedy.

(g) To the best of Monsanto's knowledge (a) Monsanto has disclosed or made available to the Buyer or Buyer's Representative all material information (including discharge monitoring reports, citations, and Monsanto's RCRA Part B application) concerning Monsanto's environmental permit compliance history since January 1, 1985 at the Texas City Plant; (b) except as disclosed in Exhibit 12.1(g) hereto, Monsanto has obtained all environmental permits that are required with respect to the Plant as of the date of this Agreement; (c) except as disclosed in Exhibit 12.1(g) hereto, Monsanto is in general compliance with all terms and conditions of such environmental laws and permits (except where the failure to comply will not materially and adversely affect the Aggregate Assets taken as a whole or prevent or materially and adversely affect the operation of the Plant taken as a whole); and (d) except as disclosed in Exhibit 12.1(g) hereto, Monsanto has not received any formal written notice from a responsible governmental authority of any material violation of any environmental protection law or permit which will materially and adversely affect the Aggregate Assets taken as a whole or prevent or materially and adversely affect the operation of the Plant taken as a whole.

(h) Monsanto has fee simple title and marketable title to the Real Property, subject only to (i) the exclusions and exceptions set forth in Exhibit 1.4(b) and (ii) the Permitted Encumbrances. Title shall be deemed marketable in fact if Ticor Title Insurance Company of California shall, at Closing, issue to Buyer an owner's policy of title insurance (Form T-1) at no more than its standard premium rates, in the amount of at least $10,000,000, subject only to the exclusions and exceptions set forth in Exhibit 1.4(b) and the standard preprinted exceptions to title, amended to (i) limit the exception for Ad Valorem taxes to the 1986 calendar year only and (ii) revise the survey exception to state "shortages in area" only.

(i) Except as disclosed in Exhibit 12.1(i) hereto, and except with respect to environmental matters covered by Article 24 or

Section 12.1(g), Monsanto has full power, authority and legal right and has all governmental licenses, permits and qualifications necessary to own and/or operate the Aggregate Assets and to carry on the business with respect thereto as now being conducted by Monsanto where the failure to hold such licenses, permits and qualifications might reasonably be expected to materially and adversely affect the Aggregate Assets taken as a whole or prevent or materially and adversely affect the operations of the Plant taken as a whole.

(j) Except as disclosed in Exhibit 12.1(j) hereto or contemplated by any Business Arrangement, there are no preferential purchase rights, prior consent rights not obtained, or rights of first refusal in third parties with respect to any material Aggregate Asset (or any group of Aggregate Assets which in the aggregate are material to the operations of the Plant taken as a whole) or to the Products.

(k) Except as disclosed in Exhibit 12.1(k) hereto for which Monsanto shall remain responsible, Monsanto has filed all federal, state and other tax reports or returns required by law to be filed by Monsanto in connection with the Aggregate Assets and has either discharged or caused to be discharged, as the same have become due, all taxes, included but not limited to "Superfund" taxes, attributable or relating to the Aggregate Assets, except for taxes being contested in good faith for which Monsanto shall remain responsible.

(l) Except as disclosed in Exhibit 12.1(l) hereto, Monsanto is not in default under any Business Arrangement, Realty Right, Pipeline Interest, or non-environmentally related Permit under which any person, firm, corporation or other entity is entitled to assert any rights against any of the Aggregate Assets where such default might reasonably be expected to materially and adversely affect the Aggregate Assets taken as a whole or prevent or materially and adversely affect the operation of the Plant taken as a whole.

(m) Except as disclosed in Exhibit 12.1(m) hereto, each Business Arrangement, Realty Right, Pipeline Interest and non-environmentally related Permit is valid and subsisting, except where such nonvalidity or nonsubsistence will not materially and adversely affect the Aggregate Assets taken as a whole or prevent or materially and adversely affect the operation of the Plant taken as a whole. No warranty of title is made in this Section 12.1(m).

(n) Except as disclosed in Exhibit 12.1(n) hereto, (i) Monsanto has not received payment under any agreement, or instrument evidencing a Business Arrangement for the sale, processing, exchange, storage or transportation of Products produced at the Plant which requires material delivery in the future to any other party thereto of such Products previously paid for, (ii) Monsanto has not delivered, under any such agreement or instrument, materially more such Products than any other party thereto is obligated to acquire; (iii) there exists no material requirement to "make up" any deliveries of such Products to any third party and (iv) there has not been delivered under any such agreement or instrument materially less such Product than any other party thereto paid for or is obligated to purchase or acquire, provided that the foregoing shall only apply with respect to such agreement or instrument as to which Buyer assumes responsibility hereunder.

(o) Except as disclosed in Exhibit 12.1(o) hereto, inventories of Products transferred hereunder to Buyer from Monsanto meet Monsanto's applicable shipping quality standards.

(p) Except as disclosed in Exhibit 12.1(p) hereto, no legal action, suit or proceeding, judicial or administrative, or governmental investigation is pending, or, to the knowledge of Monsanto, threatened which involves any material Asset or the purchase, sale, transportation or processing of Products therefrom, and which, if adversely determined to Monsanto would result in a valid claim on any material Asset being transferred hereunder.

(q) Monsanto is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and is not, a "public utility" within the meaning of the Public Utility Holding Company Act of 1935.

W

(r) Except as listed in Exhibit 12.1(r) hereto, the License Rights referred to in Article 2 are all the rights which Monsanto possesses with respect to the technology, know-how, and other proprietary information materially necessary for the current operation of the Plant.

(s) Neither Monsanto nor any member of any controlled group of corporations (as defined in Section 414 of the Internal Revenue Code of 1954, as amended ("Code")) of which Monsanto is a part ("Related Company"), maintains or contributes to any employee pension benefit or other plan (including a Multiemployer Plan) covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), for the benefit of the Plant Employees other than those listed in Exhibit 12.1(s) hereto (referred to individually as an "Employee Plans"). There are no facts known by Monsanto which have or could result in a "prohibited transaction" as such term is defined in Code Section 4975 and Title I of ERISA, in connection with any Employee Plan maintained by Monsanto or any Related Company which would result in an imposition of an excise tax on prohibited transactions imposed by Code Section 4975. Monsanto has received no notice that it is not in material compliance with the requirements of ERISA and the regulations promulgated thereunder and there are no facts known by Monsanto which could result in an event described in Section 4043 of ERISA. All of Monsanto's Employee Plans including, without limitation pension, thrift, profit sharing, health, accident and sickness, disability, dental, life insurance, bonus, vacations, sick pay, holidays, severance pay and other plans or programs, and all summary plan descriptions thereof affecting the employees at the Plant are listed in Exhibit 12.1(s). Copies of the Employee Plans have been delivered to Buyer. Except as listed in Exhibit 12.1(s), Monsanto does not have any commitment, whether formal or informal and whether legally binding or not, to create any additional Employee Plan for the Plant Employees.

Monsanto's Pension Plans and the Monsanto Savings and Investment Plan satisfy the requirements of Section 401 of the Code, have received a favorable determination letter from the Internal Revenue Service regarding such qualified status and have not, since the receipt of the most recent favorable determination letters, to the knowledge of Monsanto, been operated in a way which would materially and adversely affect such qualified status.

(t) The employees at the Plant are subject to no collective bargaining agreements other than those referred to specifically in Article 8. Except as disclosed in Exhibit 12.1(t) hereto, Monsanto is not in default, in any material respect, with any provision of any such agreement and there are no written and filed grievances outstanding against Monsanto under any such agreement. Except as disclosed in Exhibit 12.1(t) hereto, there are no unfair labor practice charges or complaints pending against Monsanto involving persons employed at the Plant before the National Labor Relations Board or questions concerning representation involving persons employed at the Plant pending before the National Labor Relations Board. Except as disclosed in Exhibit 12.1(t), during the 12-month period preceding the date hereof, there have not been any written and filed grievances involving employees at the Plant. The consent of the unions which are parties to the collective bargaining agreements referred to in Article 8 is not required to complete the transactions contemplated by this Agreement.

(u) Except as disclosed in Exhibit 12.1(u)-1 hereto, the Aggregate Assets are being operated by Monsanto in compliance (except for those matters as set forth in Article 24 and Section 12.1(g) and those under the Occupational Safety and Health Act or any similar law, rule or regulation) with all applicable laws, rules and regulations, noncompliance with which might reasonably be expected to materially and adversely affect the Aggregate Assets taken as a whole or prevent or materially and adversely affect the operation of the Plant taken as a whole.

Except as disclosed in Exhibit 12.1(u)-2 hereto, the Plant is being operated by Monsanto in general compliance with the Occupational Safety and Health Act and all similar laws, rules and regulations, noncompliance with which might reasonably be

W

expected to materially and adversely affect the Aggregate Assets taken as a whole or prevent or materially and adversely affect the operation of the Plant taken as a whole.

(v) Except as disclosed in Exhibit 12.1(v) hereto, the Business Arrangements and the Other Arrangements are all the material sales, purchase, service, lease, utilities, water supply bonds, shipping, labor and other contracts, agreements and arrangements which Monsanto is directly utilizing with respect to the operation of the Plant.

(w) Exhibit 12.1(w) hereto is a list of the bonds, deposits, financial assurance requirements and insurance coverage required to be submitted to regulatory authorities which Monsanto is directly utilizing with respect to Monsanto's operation of the Plant except such bonds, deposits, financial assurance requirements and insurance coverage, the failure to provide which would not materially and adversely affect the Aggregate Assets taken as a whole or prevent or materially and adversely affect the operation of the Plant taken as a whole.

(x) Except as disclosed in Exhibit 12.1(x) hereto, the Permits are all the material franchises, licenses, permits or other similar rights (excepting environmental) granted by governmental authorities to Monsanto which are directly required for the current operation of the Plant.

(y) Except as disclosed in Exhibit 12.1(y) hereto, the Pipeline Interests are all the material pipeline interests outside the

Plant Site which Monsanto is directly utilizing with respect to the operation of the Plant.

(z) Except as disclosed in Exhibit 12.1(z) hereto, Monsanto is not aware of any representation or warranty of Buyer hereunder which is not true and correct in all material respects.

(aa) Except as disclosed in Exhibit 12.1(aa) or Exhibit 12.1(y) and except the Plant Site, Real Property, the Buffer Property, the Pipeline Interests, the Business Arrangements and the Other Arrangements, the Realty Rights are all of the material interests in real property owned by and directly utilized by Monsanto with respect to the current operation of the Plant and located in Galveston County, Texas.

(bb) To the best of Monsanto's knowledge, (i) the operating conditions for the deep wells WDW-91 and WDW-196 listed in and subject to Exhibit 12.1(bb) hereto represent maximum conditions for each operating parameter for the Texas City Plant as recorded by Monsanto in the ordinary course of business for the operating year 1985 (excluding the month of October and except as otherwise specifically identified in Exhibit 12.1(bb) hereto) and (ii) subject to Exhibit 12.1(bb) such list is an accurate description of the recordings of Monsanto with respect to these operating conditions for the Plant for the applicable periods in such 1985.

12.2 <u>Buyer's Warranties</u>. Buyer shall represent and warrant to Monsanto as follows as of Closing:

W

(a) Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified or licensed as a foreign corporation authorized to do business in Texas and all states in which any of the Aggregate Assets may be situated and where such qualification or license is required.

(b) Buyer has full corporate power and authority to execute and deliver this Agreement and all documents and instruments referred to herein and contemplated hereby and to carry out the terms and obligations hereof and thereof. Buyer has taken all corporate action necessary to authorize the execution, delivery and performance of this Agreement and all documents and instruments contemplated hereby. This Agreement constitutes, and the other documents and instruments referred to herein or contemplated hereby will be when executed and delivered by Buyer, valid and binding obligations of Buyer, enforceable in accordance with their respective terms and conditions except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting enforcement of creditors rights generally and by general principles of equity (whether applied in a proceeding at law or in equity).

(c) The execution, delivery and performance of this Agreement do not violate or constitute a default under any mortgage, indenture, promissory note or similar agreement to which Buyer is a party, or by which it is bound, Buyer's charter or by-

17

00774

laws, any court injunction or decree, or any valid and enforceable order of a governmental agency having jurisdiction over Buyer.

(d) Buyer acknowledges that (i) the tangible personal property included in the Assets is used property; (ii) Monsanto is selling, licensing, conveying, assigning or transferring and delivering the Aggregate Assets to Buyer, and Buyer is purchasing and accepting such Aggregate Assets, pursuant to Buyer's investigation and examination and on the basis described in Article 5 and the representations and warranties of Monsanto in Section 12.1 herein or in the documents or instruments to be delivered by Monsanto at Closing; and (iii) except as set forth in Section 12.1 or in documents or instruments to be delivered by Monsanto at Closing, Buyer is not relying upon any representation, warranty or statement, oral or written, of Monsanto or any representative thereof, relative to the condition of the Aggregate Assets.

Prior to the date of this Agreement, Buyer and Buyer's Representatives have been afforded full and complete access to examine the Plant and the Aggregate Assets and to discuss with Plant Employees and any other employees of Monsanto (as Buyer has requested) any information relating to the Aggregate Assets or the operations of the Plant and have made all investigations which Buyer deems appropriate; Buyer's officers and directors are knowledgeable and experienced in the chemical business and familiar with the type of operations contemplated in the operation of the Plant; Buyer's most recent financial statement reflects assets of at least $5,000,000 and Buyer presently has assets of at least $5,000,000 or more.

(e) Except as disclosed in Exhibit 12.2(e) hereto, neither Buyer nor any of Buyer's Representative are aware of any representation or warranty of Monsanto hereunder which is not true and correct in all material respects.

W

ARTICLE 13

BOOKS AND RECORDS

Subject to Article 2 and Exhibit 2.1(a) hereto, all books, records, maps and surveys and other documents as the same exist and are located at the Texas City Plant at Closing and which are required for the current operation of the Plant shall be turned over to Buyer. Such books, records, maps and surveys and documents to be so turned over to Buyer are referred to in this Agreement as "Books and Records".

Monsanto may retain certain originals of the Books and Records in which event it shall provide Buyer with a copy thereof. Monsanto may also retain copies or make copies of any of the Books and Records. Monsanto shall keep any of the certain originals of the Books and Records it may retain (pursuant to the first sentence of this paragraph) safely and in good order for (i) the applicable periods of time provided for in Monsanto's Record Retention Manual and for such further periods at Buyer's expense as Buyer may reasonably request in writing or (ii) as required by law, if longer; and after any such period shall deliver such originals to Buyer, at Buyer's request;

Following Closing, Buyer shall give Monsanto reasonable access, including the right to make copies thereof, during normal business hours to the Books and Records. Buyer shall keep such Books and Records safely and in good order for (i) the applicable periods of time provided for in Monsanto's Record Retention Manual (a copy of which has been delivered to

IMAGE EVALUATION TEST TARGET (MT-3)

150mm

6"

BECHTEL

Information Services

15740 Shady Grove Road

Gaithersburg, Maryland 20877-1454

Buyer) and for such further periods at Monsanto's expense as Monsanto may reasonably request in writing or (ii) as required by law, if longer.

While Monsanto will endeavor to ensure that no materials embodying information unrelated to the Aggregate Assets being transferred hereunder or embodying information not required for the current operation of the Plant (the "Non-Plant Information") shall remain at the Texas City Plant after the Closing, it is recognized that some Non-Plant Information may inadvertently remain. If Buyer becomes aware of the existence of Non-Plant Information which is located at the Texas City Plant, it will notify Monsanto of such fact as soon as practicable. Buyer shall immediately return any such Non-Plant Information on request of Monsanto. Buyer shall cause its employees who have had access thereto to maintain such Non-Plant Information as strictly confidential and shall not use such Non-Plant Information for any purpose.

W

0037F

ARTICLE 14

MARKETING ASSISTANCE

Monsanto shall provide Buyer with reasonable marketing assistance during an initial period not exceeding ninety (90) days following the Closing. Such assistance shall consist of, to the extent allowed by law, the encouragement by Monsanto of Monsanto's present customers for Products (excluding TBA acetic acid, phthalic anhydride, oxo-alcohol and phthalate esters) to purchase such Products from Buyer, sending letters or other notices to such customers and furnishing marketing personnel to call on key customers with Buyer. Buyer shall reimburse Monsanto for all reasonable out-of-pocket costs and expenses incurred by Monsanto (excluding salaries or wages of Monsanto's employees) in providing said assistance or any similar assistance requested by Buyer prior to Closing.

ARTICLE 15

WATER TREATMENT CONTRACT

At Closing, Monsanto and the Buyer shall enter into a contract, in the form of Exhibit 15 hereto, relating to the transportation of water from the North 80 and South 20 and additional ground water to treatment facilities.

W

ARTICLE 16

SUPPLY CONTRACTS

At Closing, Monsanto and Buyer shall enter into (a) contracts in the forms attached as Exhibit 16-1 hereto for the supply by the Buyer to Monsanto of Products, and (b) a contract in the forms attached as Exhibit 16-2 for the supply by Monsanto to the Buyer of raw materials, if any.

00741

ARTICLE 17

SERVICE CONTRACTS

Following Closing, Monsanto and Buyer shall perform the provisions of Exhibit 17(a) and Exhibit 17(b).

ARTICLE 18

INSURANCE

As of the Closing, Monsanto shall have the right, but not the obligation, to terminate all of Monsanto's insurance coverage applicable to the Assets. For the period of ten (10) years from the Closing Date, or such longer time as long as any entity providing the initial financing for the purchase of the Aggregate Assets as contemplated hereby shall require insurance, Buyer's liability insurance coverage, if any, excepting the Workers' Compensation policy, [redacted]. Any such liability insurance contract so obtained shall provide that such contract shall be primary with respect to any other coverage carried by Monsanto.

For the period of ten (10) years after the Closing Date (and for an additional ten (10) years following the first ten years ("Second Ten-Year Period") unless Buyer elects to grant a waiver and release to Monsanto as provided below), [redacted] each insurance policy, if any, of Buyer shall be endorsed with a waiver of underwriter's subrogation rights against Monsanto and shall provide for at least thirty days (30) advance notice of cancellation or significant reduction in coverage of Monsanto or Buyer. During the Second Ten-Year Period Buyer shall, if Buyer desires to exclude the waivar of underwriter's subrogation rights' against

Deleted pursuant to SEC Order dated July 31, 1986 granting registrant's application for confidential treatment

Monsanto endorsement from any such insurance policy, prior to each applicable year, (i) waive, (ii) release and (iii) indemnify and hold harmless Monsanto from any subrogation rights or claims including all related legal fees, costs and expenses which either Buyer or any insurance underwriter of Buyer may have against Monsanto under such policy, and upon such waiver, release and indemnity by Buyer, Buyer shall not be required to obtain the underwriter's subrogation rights waiver with respect to such policy or the thirty (30) days' advance notice to Monsanto of cancellation or significant reduction in coverage with respect thereto for the applicable year.

Buyer shall provide Monsanto at Closing and at least thirty (30) days prior to expiration of any insurance coverage, a certificate of insurance evidencing renewal coverage for the forward 12 month period, if such coverage is in fact renewed.

W

ARTICLE 19

INTEREST

This Agreement calls for various cash payments to be made at the Closing or within specified times after the Closing Date. Late payments, by either party, will cause the required payment amount to be increased by interest from the due date to the actual payment date on any delinquent amount. The interest will be calculated on a 360-day basis using Citibank N.A.'s prime rate, in effect during the delinquent period, plus two percentage points.

ARTICLE 20

BUYER'S REPRESENTATIVES

Buyer's Representatives shall mean one or more of the individuals or individuals of any of the entities set forth in Exhibit 20 hereto.

ARTICLE 21

FURTHER ASSURANCES

The parties recognize that Monsanto or Buyer, as the case may be, may inadvertently omit or inaccurately list an item which should have been disclosed to the other party in a representation or warranty. To the extent that such an omission or inaccuracy is discovered after Closing, subject to Section 23.3, the parties shall cooperate in an attempt to correct the omission or inaccuracy and place the parties in a position as if the omission or inaccuracy had not occurred.

pr7947

ARTICLE 22

ANTITRUST NOTIFICATION

Monsanto and Buyer have, prior to Closing, either (a) filed with the Federal Trade Commission and the Department of Justice the notification and report form required for the transactions contemplated hereby and any supplemental information which may be reasonably requested in connection therewith pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the Rules and Regulations promulgated thereunder (the "HSR Act"), which notification and report form and supplemental information has complied in all material respects with the requirements of the HSR Act and have cooperated with each other in obtaining any approval thereof or (b) determined that the filing of such a notification and report form is not required under the HSR Act.

00748

ARTICLE 23

SCOPE, DISCLAIMER,

SURVIVAL OF REPRESENTATIONS, WARRANTIES, AGREEMENTS

AND OBLIGATIONS: INDEMNIFICATION

23.1 Scope of Representations. In connection with the transactions contemplated hereby or in the documents or instruments to be delivered by Monsanto at Closing, MONSANTO MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE. BUYER EXPRESSLY WAIVES THE PROVISIONS OF CHAPTER 17, SUBCHAPTER E, SECTION 17.41 THROUGH 17.63, INCLUSIVE, TEXAS BUSINESS AND COMMERCE CODE, TO THE EXTENT PERMITTED UNDER SECTION 17.42 THEREOF. Without limiting the generality of the foregoing, except as and to the extent specifically set forth in this Agreement or in the documents or instruments to be delivered by Monsanto at Closing, Monsanto makes no representations or warranties whatsoever, express, implied or statutory, in connection with the condition of the Aggregate Assets or the transactions contemplated by this Agreement.

23.2 Disclaimer. Except as and to the extent set forth in this Agreement or in Section 12.1(e) or in the documents or instruments to be delivered by Monsanto at Closing, Monsanto hereby disclaims all liability and responsibility for any statement or information made or communicated (orally or in writing) to Buyer or to any of Buyer's Representatives (including, but not limited to, any opinion, information or advice by any officer, director, employee, agent, consultant or representative of Monsanto).

23.3 Survival. The Monsanto representations and warranties set forth in Section 12.1 (except those relating to title to the Aggregate Assets which shall survive Closing for the maximum period permitted by applicable statutes of limitations, if any) shall only survive until [redacted] and at the end of each respective survival period Buyer shall, without further action, be deemed to have fully released Monsanto from any and all responsibility with respect to a breach thereof (including that of indemnification as provided in Section 23.4) unless during the applicable survival period Buyer shall have given Monsanto notice of the nature and reasonable particulars under the then existing circumstances in reasonable detail of any claimed breach by Monsanto and the basis therefor and Buyer's intent to enforce such indemnification provisions set forth below.

Subject to the terms and conditions of this Agreement and the instruments and other documents to be delivered at Closing, the agreements and obligations of the parties herein shall survive the Closing.

23.4 Indemnification by Monsanto. Subject to this Article 23 Monsanto, from and after the Closing, shall indemnify and hold Buyer, its officers, directors and employees harmless from and against any and all damages (including all related legal fees, costs and expenses) suffered or incurred by Buyer with respect to [redacted]

Deleted pursuant to SEC Order dated July 31, 1986 granting registrant's application for confidential treatment

(ii) all matters disclosed on Exhibits 12.1(d), 12.1(k) and 12.1(p), (iii) the Permitted Encumbrances described in clause (i) of the definition of Permitted Encumbrances as of Closing appearing in Section 12.1(d) and (iv) the taxes for which Monsanto shall remain responsible under Section 12.1(k), but subject in each case to the limitations of Article 24 as to the matters covered therein; (b) any inaccuracy in, breach of, or nonfulfillment of, any representation, warranty, agreement or obligation of Monsanto under this Agreement which survives the Closing; (c) the liabilities retained by Monsanto not assumed by Buyer, as provided in Section 7.5; (d) claims arising out of noncompliance by Monsanto with the Bulk Sales Laws of any state in which operations of the Plant are conducted with respect to the transfer of the Aggregate Assets hereunder; and (e) non-environmentally related fines or penalties assessed by governmental agencies or authorities against Buyer arising solely out of pre-Closing events (including but not limited to the matter disclosed on Exhibit 12.1(u)-2) for pre-Closing periods of time in connection with the operation of the Plant or the Aggregate Assets by Monsanto prior to Closing.

Deleted pursuant to SEC Order dated July 31, 1986 granting registrant's application for confidential treatment

23.5 Indemnification by Buyer. Subject to this Article 23, Buyer, from and after the Closing, shall indemnify and hold Monsanto, its officers, directors and any employees harmless from and against any and all damages (including all related legal fees, costs and expenses) suffered or incurred by Monsanto with respect to [redacted] (ii) the liabilities for which Monsanto is not responsible as provided in Section 7.5; (b) any inaccuracy in, or breach of, or nonfulfillment of, any representation, warranty, agreement or obligation of Buyer under this Agreement which survives the Closing, (c) all tax liabilities assumed by Buyer; and (d) non-environmentally related fines or penalties assessed by governmental agencies or authorities against Monsanto arising solely out of post-Closing events for post-Closing periods of time in connection with the operation of the Plant or the Aggregate Assets by Buyer after Closing.

23.6 Limitation of Liability. Notwithstanding any other provision of this Agreement, (i) the liability of Monsanto and Buyer under this Agreement and in the documents or instruments to be delivered at Closing, shall be limited to actual damages (excluding special damages) and shall

Deleted pursuant to SEC Order dated July 31, 1986 granting registrant's application for confidential treatment

not include special, incidental, consequential, indirect or punitive damages [redacted] (ii) Monsanto shall have no liability whatsoever: (a) to provide or pay for any modifications of or additions to any of the Aggregate Assets (excep [redacted] and to the extent any such payment is a result of a breach of warranty of Monsanto contained herein or in the instruments and documents delivered by Monsanto at Closing); and (b) for penalties or fines assessed by Governmental Agencies against Buyer for periods on and after Closing (except as provided in Section 24.2(d)). In calculating any amount of actual damages to be paid by Monsanto or Buyer as set forth in this Agreement the amount of such damages shall be reduced by all tax benefits and other reimbursements credited to or received by the other party, relating to such damages.

23.7 <u>Procedure</u>. In the event that, from and after Closing, a third party asserts any claim against Monsanto or Buyer, with respect to any matter to which the indemnities contained in this Agreement relate, the party against whom the claim is asserted (the "Indemnified Party") shall

Deleted pursuant to SEC Order dated July 31, 1986 granting registrant's application for confidential treatment

give prompt notice to the other party (the "Indemnifying Party"), and the Indemnifying Party shall have the right, at its election, to take over the defense or settlement of such claim at its own expense by giving prompt notice to the Indemnified Party; provided, however, that (a) the Indemnified Party shall at all times have the right, at its option and expense, to participate fully therein, and (b) if the Indemnifying Party does not give such notice and does not proceed diligently to defend the claim within thirty (30) days after receipt of such notice of the claim, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of any such claim for the account of and at the risk of Indemnifying Party and the Indemnifying Party shall be bound by any defense or settlement that the Indemnified Party may make as to such claim. The parties shall cooperate in defending any such third party's claim, and the defending party shall have reasonable access to the books and records, and personnel in the possession or control of the other party which are pertinent to the defense. The parties agree that any Indemnified Party may join any Indemnifying Party in any action, claim or proceeding brought by a third party, as to which any right of indemnity created by this Agreement would or might apply, for the purpose of enforcing any right of the indemnity granted to such Indemnified Party pursuant to this Agreement.

ARTICLE 24

ENVIRONMENTAL

24.1 Definitions. For purposes of this Article 24, the following terms shall have the following meanings:

"Environmental Permit" means any permit, license or approval with respect to any of the Aggregate Assets or the operation of any thereof under any applicable law or regulation of any Governmental Agency.

"Governmental Agency" means any environmental agency of the United States or any state, municipality or other subdivision thereof having jurisdiction over the party.

"Requirements of Environmental Law" means all requirements of environmental laws or regulations applicable to any of the Aggregate Assets or the operation of any thereof, including all requirements imposed by any law or regulation of any Governmental Agency which relate to (i) emissions into the air, surface water, groundwater or land or (ii) solid, gaseous or liquid waste generation, treatment, storage, disposal or transportation.

"Clean-up" means Governmental Agency mandated remedial work to clean up, contain or remove hazardous substances.

24.2 Monsanto Indemnification. Monsanto shall be liable and shall indemnify, save and hold harmless Buyer, its officers, directors and employees from and against (a) penalties and fines assessed against Buyer by Governmental Agencies for pre-Closing violations of Requirements of Environmental Law or of the Toxic Substances Control Act ("TOSCA")

W

relating to any of the Aggregate Assets or the operation of any thereof; (b) Clean-up of hazardous substances deposited on or emitted from any of the Aggregate Assets prior to Closing; (c) legal liability to third parties (including employees and Governmental Agencies) as a result of such pre-Closing deposits or emissions or for exposure to hazardous substances (excluding liability covered under worker's compensation); (d) Clean-up resulting solely from an improper Clean-up by Monsanto pursuant to clause (b) above and fines and penalties and liabilities to third parties arising solely from such Clean-up in this clause (d) after Closing; and (e) all related legal fees, costs and expenses incurred by Buyer in connection with any of the foregoing. Cleanup for purposes of this Section 24.2 shall include Government Agency mandated

Plant related solely to pre-Closing except as provided in Section 24.2(d) deposits or emissions on the Plant Site.

Should the deep wells (as more specifically described in Exhibit 24.2-1 hereto ("Deep Wells") be used after Closing in a manner (i) not authorized by then applicable Environmental Permits or (ii) outside the operating conditions described on Exhibit 24.2-2, then Monsanto shall be released from any liability and indemnification under this Agreement for the Deep Wells. Within ten (10) years following Closing, if the Buyer decides not to use the Deep Wells, Monsanto shall provide the Buyer access to the then existing documentation of Monsanto-owned technical information pertinent to surface treatment and disposal of wastes

Deleted pursuant to SEC Order
dated July 31, 1986 granting
registrant's application for
confidential treatment

associated with the Products containing the terms provided for in Exhibit 24.2-3.

24.3 Buyer Indemnification. Buyer shall be liable for and shall indemnify, save and hold harmless Monsanto, its officers, directors and employees from and against: (a) penaltie nd fines assessed against Monsanto by Governmental Agencies for post-Closing violations of Requirements of Environmental Law or TOSCA relating to any of the Aggregate Assets or the operation of any thereof, except for penalties and fines for which Monsanto is responsible under Section 24.2(d); (b) Cleanup of hazardous substances deposited on or emitted from any of the Aggregate Assets after Closing except as otherwise provided in Section 24.2(d); (c) legal liability to third parties (including employees and Governmental Agencies) as a result of such post-Closing deposits or emissions or for exposure to hazardous substances, except as provided in Section 24.2(d); and (d) all related legal fees, costs and expenses incurred by Monsanto in connection with any of the foregoing. Buyer shall be responsible for obtaining and maintaining Environmental Permits on or after Closing.]

24.4 Liability Allocation. Liabilities of the types provided for in subsections (b) and (c) of Sections 24.2 and 24.3 above involving the acts and omissions of both Monsanto which occur prior to Closing and of Buyer which occur on or after Closing, shall be allocated (except for related legal fees, costs and expenses) between Monsanto and Buyer in accordance with each party's responsibilities for the situation or problem giving rise to such liabilities. However, should Buyer's acts or omissions cause the release of securely-contained deposits made pre-

h

Closing by Monsanto, then any liability resulting therefrom with respect to either the release or the source deposit shall be borne by Buyer and, with respect to either such release or to the source deposited materials, the Buyer shall indemnify, save and hold harmless Monsanto, its officers, directors and employees from and against damages (including all related legal fees, costs and expenses) resulting from either such release or from the source deposited materials. Removal of samples from properly installed and operated monitoring wells or test borings shall not be considered a release for purposes of the preceding sentence.

24.5 Closure Actions. With respect to those sites or facilities (excluding the Deep Wells the North 80 and the South 20) identified for closure in Monsanto's RCRA Part B Permit application, Table VIII, (Exhibit 24.5-1 hereto),

such actions in a manner consistent with Monsanto's previously submitted RCRA Part B application and consistent with requirements imposed by the Requirements of Environmental Law. In addition, until Buyer has satisfied the financial assurances requirements as listed on Exhibit 24.5-2 hereto Monsanto shall continue to provide the financial assurances listed on Exhibit 24.5-2 hereto; provided that Monsanto providing such financial

Deleted pursuant to SEC Order dated July 31, 1986 granting registrant's application for confidential treatment

assurances shall in no way change the obligations of Monsanto and Sterling under this Agreement and provided further that if Monsanto receives a demand for any payment as a result of providing such assurances, Monsanto shall give written notice to Sterling of such demand at least 30 days prior to making any such payment, and if Sterling does not satisfy such financial assurance within 30 days after the receipt of such notice and Monsanto is required to make the payment so demanded, Sterling shall immediately reimburse Monsanto therefor without prejudice to Sterling's rights, if any, to make claim against Monsanto pursuant to the terms and conditions of this Agreement.

24.6 Written Notice. Upon receiving notice or obtaining information that a proceeding relating to a potential liability as provided for in Sections 24.2, 24.3, or 24.4 above has been or may be commenced or initiated against or by one of the parties which may give rise to a liability on the part of the other party pursuant to said Sections, the party receiving such notice or obtaining such information shall promptly provide written notice thereof to the other party.

24.7 Meeting of the Parties. After notification has been provided under Section 24.6 above, the parties shall meet in due course to decide whether to arrange for the selection of inside or outside lead counsel for any such legal proceeding which could give rise to liability for both parties. However, neither party shall have any obligation to accept lead counsel or to arrange for a joint action or defense.

24.8 Participation Permitted. Either party which could incur liability pursuant to Section 24.2, 24.3, or 24.4 shall have the full right, at its own expense, to participate, through counsel or otherwise, in all meetings and proceedings with adverse parties or governmental authorities pertaining to the matter involved. This right of participation shall not apply to confidential meetings in cases where the parties are litigating claims against each other in a judicial or administrative proceeding.

24.9 Advance Notice of Actions. Neither party shall take any action or make any communication which could reasonably be expected to have a materially adverse effect on the resolution or outcome of any matter for which the other party may be liable under Sections 24.2, 24.3, or 24.4 without providing at least five (5) business days advance notice to the other party. Any material breach of this obligation shall relieve the party to whom such notice was not provided of liabilities and indemnification under this Article 24 with respect to such matter to the extent that such non-notified party has been prejudiced by the lack of timely and adequate notice. This notification requirement shall not apply to communications which are part of or which relate to a judicial or administrative proceeding in which the parties are litigating claims against each other.

24.10 License to Premises. Buyer hereby grants Monsanto a license for access to all of the Plant Site and the Aggregate Assets, which license shall ensure necessary and reasonable access to and allow activities, upon the Plant Site and other locations where such Assets are located, by Monsanto or its agents or representatives during regular business hours for purposes of evaluation, testing, remedial work and any

W

other appropriate activities in connection with the matters contemplated by this Article 24. While at the Plant Site, Monsanto, its agents or representatives shall follow all reasonable safety rules and regulations of the Plant previously supplied to Monsanto by Buyer.

24.11 Confidentiality of Information Concerning Environmental Liabilities. Each party shall hold and shall cause its agents and representative to hold in strict confidence, unless compelled to disclose such documents or information by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, all documents and information concerning the other party furnished to it pursuant to the provisions of this Article 24. In any such instance where disclosure appears to be compelled by law, the first party will notify the other party so that such party may avail itself of such measures as may be available for protecting the confidentiality of such information. However, neither party will be prohibited from using such documents and information in litigation against the other party.

24.12 Cooperation. With respect to any potential liability to third parties or Governmental Agencies arising under this Article 24 which a party hereto acknowledges, in writing, its sole responsibility ("Responsible Party") under this Article 24, the other party will assist the Responsible Party in any reasonable manner to satisfy such liability so long as the Responsible Party honors its indemnification obligations hereunder.

24.13 Conditions. Monsanto's liability and indemnification under subsections 24.2(b) and 24.2(d) and obligation under Section 24.5 above

lv

are conditioned on: (i) its being kept fully informed, on a timely basis, of all substantive contacts between Governmental Agencies and the Buyer on matters covered by subsections 24.2(b) and 24.2(d) and Section 24.5 above; (ii) its being given by Buyer the option to participate in and/or manage all discussions and proceedings concerning the need for, timing, method, extent and cost of the Cleanup, and the option to manage the Clean-up, itself; (iii) its being given by Buyer the authority to determine the method of Cleanup; and (iv) application of best efforts by the Buyer during discussions, proceedings and Cleanup to keep the number and cost of Cleanups as low as reasonably possible. Items (ii) and (iii) of this Section 24.13 and Section 24.10 shall not be interpreted to provide authority to Monsanto to require Buyer to, as a condition to Monsanto's liability under subsections 24.2(b) or 24.2(d) or obligations under Section 24.5 or in order to comply with Section 24.10, partially or totally shut-down a producing unit (existing at Closing) at the Plant.

24.14 Monsanto Cooperation. If Buyer so requests, for a period of two years after Closing, Monsanto shall reasonably cooperate with Buyer (to the extent Monsanto has the expertise and on an as-available basis) with respect to Buyer's ongoing environmental permitting requirements. Buyer shall reimburse Monsanto for all costs and expenses incurred by Monsanto (fully allocated departmental costs plus 25%) in providing such cooperation.

h

ARTICLE 25

ACY

Buyer acknowledges that (i) the AC7 unit at the Plant was shut down by Monsanto in December, 1985; (ii) operating and maintenance manuals of this unit may not be up-to-date; (iii) continuing operating maintenance has not been conducted on the equipment of this unit since December, 1985; and (iv) certain key maintenance and operating personnel have retired or have been reassigned to other operating units of the Plant.

W

ARTICLE 26

CLOSING

The Closing of the transactions contemplated hereby (the "Closing") shall take place at 9:00 a.m. on the date hereof (the "Closing Date"). The Closing shall be effective as of 12:01 a.m. in the respective time zones in which the Assets and Inventories are located on such Date at the offices of Bracewell & Patterson at Houston, Texas or at such other place as may be mutually agreeable. The Closing Date shall be August 1, 1986. At the Closing the parties shall duly execute and deliver all instruments and documents required to be delivered and Buyer shall make all payments to Monsanto required to be paid at the Closing as provided in this Agreement.

JV

ARTICLE 27

MISCELLANEOUS

27.1 Notice. Any notice required or permitted to be given under this Agreement shall be in writing, and shall be deemed sufficiently given when delivered in person or transmitted by telegram, or when deposited in the United States mail (registered or certified) postage prepaid, to the addresses given below or sent by telex to the telex numbers set forth below provided that the telex shall reflect the answer-back of the receiving party.

MONSANTO:	Monsanto Company 800 North Lindbergh Boulevard St. Louis, Missouri 63167 Attention: Mr. Earl N. Brasfield, Vice President Telex No. 447282 Answerback: MONSANTO STL with copy to Mr. Richard A. Stohr Assistant General Counsel Monsanto Chemical Company 800 North Lindbergh Boulevard St. Louis, MO 63167
BUYER:	Sterling Chemicals, Inc. Eight Greenway Plaza, Suite 702 Houston, Texas 77406 Attention: President Telex No.: 76-2141 Answerback: BRACEPAT-HOUSTON

or such other individual, address or answerback as shall be notified to the other party.

W

00765

27.2 Bulk Sales Laws. The parties hereby waive compliance with the Bulk Sales Laws of any state in which operations relating to the Plant are conducted.

27.3 Confidentiality. The obligations of Buyer to Monsanto under paragraphs 1, 2, 5 and 7 of the letter agreement between Monsanto and Buyer dated May 22, 1986 shall expire at Closing. In addition, Monsanto shall, subject to Exhibit 2.1 hereto, release those persons who become Buyer's employees at Closing from any obligations of confidence they may have as to Monsanto information to the extent necessary to enable them to perform their job responsibilities for Buyer in the current operation of the Plant except such employees shall not be released from secrecy obligations which Monsanto has to third parties.

27.4 Further Documents. Monsanto shall, at any time and from time to time after the Closing, upon request by Buyer and without further consideration, execute and deliver such instruments of transfer or other documents and take such further action as may be reasonably required in order to convey, transfer, assign and deliver to Buyer the Aggregate Assets in accordance with this Agreement or to perfect any other undertaking made by Monsanto hereunder.

Buyer shall, at any time and from time to time after the Closing, upon request by Monsanto and without further consideration, execute and deliver such assumption instruments or other documents as may be reasonably required in order for Buyer to assume the Aggregate Assets in accordance with this Agreement or to perfect any other undertaking made by Buyer hereunder.

27.5 Financial Information and Other Assistance.

(a) Financial Services. It is recognized that either party may need financial or other data or information after the Closing Date with respect to the operation of the Plant and production of the Products covering fiscal periods prior to the Closing Date in order to comply with the rules and regulations of the Securities and Exchange Commission, the courts or other governmental organizations and agencies. Each party shall render reasonable cooperation to the other and such party's auditors for such purposes. In addition, the party requesting assistance from the other party shall bear all reasonable costs and expenses incurred by such assisting party (fully allocated departmental costs plus 25%) and such assistance shall be subject to compliance by the requesting party with the assisting party's regulations regarding security and confidential information.

(b) Accounting Services. At Closing, Buyer and Monsanto shall perform the provisions attached hereto as Exhibit 27.5 pursuant to which, on the terms and conditions stated thereunder, Buyer shall assist Monsanto in the completion of the accounting of the month's business preceding the Closing Date.

(c) Other Assistance. Buyer shall also make available to Monsanto and its representatives from time to time, as may be reasonably required, access to the Aggregate Assets, in connection with

W

00767

claims or actions brought by or against third parties based upon events or circumstances occurring prior to the Closing, provided that the operations and business of the Aggregate Assets are not materially and adversely affected hereby. In addition to the rights of access provided hereinabove, Buyer shall, at the request of Monsanto, provide reasonable assistance in the collection of information or documents and make Buyer's employees available as witnesses when reasonably requested by Monsanto. Monsanto shall reimburse Buyer for all reasonable costs and expenses incurred by Buyer (fully allocated departmental costs plus 25%) in providing said assistance. Monsanto shall, at the request of Buyer, in connection with claims brought by or against third parties based upon events or circumstances occurring prior to Closing, provide reasonable assistance in the collection of information or documents and make Monsanto's employees available as witnesses when reasonably requested by Buyer. Buyer shall reimburse Monsanto for all reasonable costs and expenses incurred by Monsanto (fully allocated departmental costs plus 25%) in providing said assistance.

27.6 Assignability. Except as permitted in this Section 27.6, neither party shall assign this Agreement, by operation of law or otherwise, in whole or in part, without the prior written consent of the other party, provided, however, that Buyer may assign its rights under this Agreement and the documents and instruments delivered by Monsanto at

Closing as collateral to Chase Manhattan Bank, N.A., Agent, for the benefit of financial institutions providing some or all of the financing for the purchase of the Aggregate Assets; and provided further that upon foreclosure or sale in lieu of foreclosure of such rights or the Aggregate Assets or a substantial portion thereof by any such financial institutions, said rights will not inure to the benefit of any purchaser of such Aggregate Assets unless Monsanto consents thereto, which consent shall not be unreasonably withheld. Except as specifically provided above, Monsanto's obligations and agreements under Section 23.4 and Article 24 and Monsanto's representations and warranties under Subsections 12.1(e), 12.1(f) and 12.1(g) (collectively the "Monsanto Commitments") shall not extend to or be assignable by Buyer, by operation of law or otherwise, to any third party and Monsanto shall have no obligation to consent thereto. For purpose of the preceding sentence, an assignment of the Monsanto Commitments shall include a "change of control" of Buyer, which shall be defined as the first to occur of any of the following events:

(a) immediately when any two of the group of three people comprised of Messrs. Gordon Cain, Virgil Waggoner and Gene Tromblee, or any Replacement (as defined below) of any thereof due to a death or "Disability" as defined below, cease to have "Active Management Responsibilities", as defined below, except where such cessation is due to death or inability to perform such Active Management Responsibilities because of total and permanent medical (physical or mental) disability ("Disability")

W

00769

during the ten years following Closing; provided that any previous death or Disability is no longer an applicable exception after ten years following Closing. "Active Management Responsibilities" shall mean active management responsibilities with respect to the entity which has direct responsibility for Plant operations and owns the Plant (the "Entity") in two of the three positions of Chairman of the Board, President and Vice President responsible for manufacturing (one of whom is Chief Executive Officer); or

(b) immediately when the voting stock in the Entity individually owned by any one of Messrs. Gordon Cain, Virgil Waggoner or Gene Tremblee or any Replacement (as defined below) then having Active Management Responsibilities is less than (except due to death or Disability within the ten years following Closing provided that any previous death or Disability is no longer an applicable exception after ten years following Closing) the "Minimum Ownership Interest". "Minimum Ownership Interest" means 2.5% (1.5% in the case of Gene Tromblee only but 2.5% in the case of a Replacement of Gene Tromblee) of the issued and outstanding voting stock of the Entity (including for purposes of determining the percentage individually owned by any such person, voting stock owned individually, or owned by the spouse of such person or owned by any of such person's lineal descendants or by a trust exclusively [except for charitable remainders] for any of the foregoing). For purposes of paragraph (a) and this paragraph (b), the Buyer shall have the right to appoint, within sixty (60) days after the death or Disability referred to therein or herein occurring during the ten year period after Closing, one or more successive replacements with respect to the deceased individual or individual under Disability for the balance of the ten year period (the "Replacement") subject in each case to Monsanto's consent which shall not be unreasonably withheld; or

(c) immediately when Buyer sells or transfers the Plant or any unit thereof to any third party or any third party (directly or indirectly through acquisition of stock or assets or otherwise) assumes operating responsibility for the Plant or any unit thereof, but in each case no earlier than three years following Closing and if only a unit is involved, instead of the Plant, then only with respect to that particular unit (for purposes of this paragraph (c), "unit" shall mean any real estate interest or any production, service or utility department of the Plant); or

(d) ten years after the Closing in the event that any two of Messrs. Gordon Cain, Virgil Waggoner or Gene Tromblee have died or have incurred Disability; or

(e) ten years after the Closing, or at any time thereafter, if any two of Messrs. Cain, Waggoner and Tromblee (i) personally no longer have Active Management Responsibilities or (ii) such two each no longer have the Minimum Ownership Interest.

00775 W

Notwithstanding anything to the contrary in this Agreement, the Monsanto Commitments shall expire and shall no longer be applicable upon a "change of control" as provided above and as of the date of such "change of control" Buyer shall, without further action, be deemed to have fully released Monsanto from any and all further responsibility with respect thereto; provided that a "change of control" shall not affect the rights of The Chase Manhattan Bank, N.A., to enforce as collateral assignee for the benefit of financial institutions referred to above the Monsanto Commitments to the same extent The Chase Manhattan Bank, N.A. would be entitled to absent such "change of control".

Any assignment made or attempted in violation of this Section 27.6 shall be void and of no effect. This Agreement shall be binding on Monsanto and Buyer and their successors and their permitted assigns as aforesaid.

27.7 Exhibits. The exhibits (and any appendices thereto), referred to in this Agreement and attached hereto, are and shall be incorporated herein and made a part hereof.

27.8 Sections and Articles. All Sections and Articles referred to herein are sections and articles of this Agreement and all Exhibits referred to herein are exhibits attached to this Agreement.

27.9 Entire Agreement. Except with respect to a letter agreement dated May 22, 1986 between Monsanto and Buyer, this Agreement and the documents and instruments executed and delivered by the parties to each other at Closing constitute the full understanding of the parties, a complete allocation of risks between them and a complete and exclusive statement of the terms and conditions of their agreement relating to the subject matter hereof and supersedes any and all prior agreements, whether written or oral, that may exist between the parties with respect thereto. Except as otherwise specifically provided in this Agreement, no conditions, usage of trade, course of dealing or performance, understanding or agreement purporting to modify, vary, explain or supplement the terms or conditions of this Agreement shall be binding unless hereafter or contemporaneously herewith made in writing and signed by the party to be bound, and no modification shall be effected by the acknowledgement or acceptance of documents containing terms or conditions at variance with or in addition to those set forth in this Agreement. No waiver by either party with respect to any breach or default or of any right or remedy and no course of dealing, shall be deemed to constitute a continuing waiver of any other breach of default or of any other right or remedy, unless such waiver be expressed in writing signed by the party to be bound. Failure of a party to exercise any right shall not be deemed a waiver of such right or rights in the future.

27.10 Headings. Headings as to the contents of particular articles and sections are for convenience only and are in no way to be construed as part of this Agreement or as a limitation of the scope of the particular articles or sections to which they refer.

27.11 Controlling Law and Jurisdiction.

(a) The validity, interpretation and performance of this Agreement and any dispute connected herewith shall be governed and construed in accordance with the laws of the State of Texas.

(b) Buyer hereby irrevocably consents to service of process within the State of Missouri and to the jurisdiction of the courts (both state and federal) within the State of Missouri and hereby irrevocably designates [C.T. Corporation Systems of Missouri] as its duly authorized agent for receipt of service of process with respect to any actions or other proceedings.

27.12 Public Announcement. No press release, public announcement, confirmation or other information regarding this Agreement or the contents hereof shall be made by either party without the prior consultation of the other party except as is required shall for each party to meet the requirements or regulations of any applicable law, governmental unit or agency or stock exchange on which the securities of such party may be listed.

27.13 Expenses and Fees. Except as otherwise specifically provided in this Agreement, each party shall pay and bear its own expenses and fees in connection with this Agreement or any of the transactions contemplated hereby, including without limitation, any governmental investigations, proceedings or litigation relating thereto.

27.14 Finders' Fees. Each party represents to the other party that, except as described on Exhibit 27.14 with respect to certain fees payable by Buyer as set forth therein, all negotiations relative to this Agreement and the transactions contemplated hereby have been carried out directly by it with the other party without the intervention of any broker, finder or other third party, and that it has not engaged, consented to or authorized any broker, investment banker or third party to act on its behalf, directly or indirectly, as a broker or finder in connection with the transaction contemplated by this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto on the date first hereinabove written.

MONSANTO COMPANY	STERLING CHEMICALS, INC.
By: Earl N. Brasfield	By: J. Virgil Waggoner
Title: Vice President	Title: President

85JLBSE

000792 W

ALL EXHIBITS TO THE ASSET PURCHASE AGREEMENT, EXCEPT FOR EXHIBITS 2.1(a), 10.1(a), 10.3(c), 15 AND 24.2-2, HAVE BEEN INTENTIONALLY OMITTED. REFERENCE IS HEREBY MADE TO EXHIBITS 10.3, 10.4, 10.5 and 10.6 TO THE FORM 8-K FOR EXHIBIT 16 TO THE ASSET PURCHASE AGREEMENT.

EXHIBIT 2.1(a)

LICENSE AGREEMENT

THIS AGREEMENT, entered into and dated as of the 31 day of August, 1986, by and between:

MONSANTO COMPANY, a corporation organized under the laws of the State of Delaware, having its principal place of business at 800 North Lindbergh Boulevard, St. Louis, Missouri 63167 (hereinafter referred to as MONSANTO); and

STERLING CHEMICALS, INC., a corporation organized under the laws of the State of Delaware, having its principal place of business at Eight Greenway Plaza, Suite 702, Houston, Texas 77406 (hereinafter referred to as LICENSEE).

W I T N E S S E T H:

WHEREAS, MONSANTO is selling to LICENSEE, and LICENSEE is purchasing from MONSANTO, pursuant to the ASSET PURCHASE AGREEMENT (as hereinafter defined) the TEXAS CITY PLANT SITE (as hereinafter defined);

WHEREAS, the ASSET PURCHASE AGREEMENT contemplates that MONSANTO shall grant LICENSEE rights and licenses under patents, technology and know-how owned by and in the possession of MONSANTO at the PLANT (as hereinafter defined) as of the DATE OF THIS AGREEMENT (as hereinafter defined) for the manufacture of PRODUCTS (as hereinafter defined) and acetone cyanohydrin (ACY) at the PLANT and to use and/or sell the PRODUCTS and ACY so produced;

WHEREAS, LICENSEE desires to obtain such licenses from MONSANTO; and

WHEREAS, each of the parties hereto represents that it has the legal right to enter into this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, it is agreed by and between the parties hereto as follows:

ARTICLE I - DEFINITIONS

As used in this Agreement, the following defined terms shall have the meanings set forth in this Article I.

1.01 - TEXAS CITY PLANT SITE shall mean the real property, including all buildings and improvements owned by MONSANTO and located thereon, comprising MONSANTO's Texas City, Texas plant site and the buffer property consisting of approximately 15.6 acres owned by MONSANTO located north of the plant site.

1.02 - PLANT shall mean the plant facilities owned by MONSANTO located at the TEXAS CITY PLANT SITE.

1.03 - ASSET PURCHASE AGREEMENT shall mean the agreement between MONSANTO and LICENSEE dated __________, 1986, for the sale by MONSANTO and the purchase by LICENSEE of the TEXAS CITY PLANT SITE to which this Agreement is attached and made a part thereof.

1.04 - PRODUCTS shall mean any or all of the following products made at the PLANT and by-products coproduced therewith as of the DATE OF THIS AGREEMENT:

(a) Styrene Monomer;

(b) Ethylbenzene;

(c) Phthalic Anhydride

(d) Oxo-alcohol;

(e) Phthalate Esters;

(f) Methanol;

(g) Acetic Acid;

(h) Acrylonitrile;

(i) Lactonitrile;

(j) Lactic Acid;

(k) Tertiary-Butylamine (TBA); and

(l) Flux Oil.

1.05 - TECHNICAL INFORMATION shall mean all technical information, know-how, and data owned by and in the possession of MONSANTO at the PLANT as of the DATE OF THIS AGREEMENT, whether or not reduced to writing, relating to the operation and maintenance of the PLANT and the production of PRODUCTS and ACY which is owned or controlled by MONSANTO in the sense that MONSANTO is free to disclose and has the right to grant licenses thereunder to LICENSEE and which, except for that relating to ACY, is currently used by MONSANTO in the PLANT as of the DATE OF THIS AGREEMENT to produce PRODUCTS. TECHNICAL INFORMATION shall also include technology and engineering and process designs for (a) those projects identified in Exhibit 2.1(a)-1; (b) revamping, modifying, debottlenecking, and/or expanding, as the case may be, and operating and maintaining the synthesis gas production unit at the PLANT to produce (i) carbon monoxide, (ii) blend gas (an approximately equimolar mixture of carbon monoxide and hydrogen), and (iii) hydrogen for use at the PLANT to produce PRODUCTS; and (c) debottlenecking and/or expanding the acetic acid unit of the PLANT to a design capacity not to exceed Six Hundred Million (600,000,000) pounds per annum. TECHNICAL INFORMATION, except as expressly provided in this Paragraph 1.05, specifically excludes technical information, know-how, and data which, although it may have applications to the production of PRODUCTS or ACY, as the case may be, was developed or acquired by MONSANTO for some other business other than the production of PRODUCTS or ACY and which is not used as of the DATE OF THIS AGREEMENT in the production of PRODUCTS or ACY.

1.06 - DATE OF THIS AGREEMENT shall mean the date first above written which shall be the date of Closing of the transaction contemplated under the ASSET PURCHASE AGREEMENT.

ARTICLE II - LICENSES

2.01 - MONSANTO hereby grants to LICENSEE a nonexclusive, irrevocable right and license to use TECHNICAL INFORMATION for the sole purpose of (a) operating and maintaining the PLANT to produce PRODUCTS and to use and/or sell PRODUCTS so produced; (b) operating and maintaining the ACY unit at the PLANT to produce ACY and to use and/or sell the ACY so produced; (c) revamping, modifying, debottlenecking, and/or expanding, as the case may be, and operating and maintaining the synthesis gas production unit at the PLANT to produce (i) carbon monoxide, (ii) blend gas (an approximately equimolar mixture of carbon monoxide and hydrogen), and (iii) hydrogen for use at the PLANT to produce PRODUCTS; and (d) debottlenecking and expanding the existing acetic acid unit to a design capacity not to exceed Six Hundred Million (600,000,000) pounds per annum.

2.02 - MONSANTO hereby grants to LICENSEE a nonexclusive, irrevocable right and license and immunity from suit under trade secrets, copyrights, and Letters Patent owned or controlled by MONSANTO (in the sense that MONSANTO has the right to grant licenses thereunder without accounting to others), for the sole purpose of and only to the extent that a license under the same is required by LICENSEE or its sublicensees to make full use of the right and license granted pursuant to Paragraph 2.01 and any sublicense granted pursuant to Paragraph 2.06.

2.03 - The rights and licenses granted to LICENSEE pursuant to Paragraph 2.01 shall be perpetual and the rights and licenses granted pursuant to Paragraph 2.02 shall be for the full term of the licensed Letters Patent.

2.04 - The rights and licenses granted to LICENSEE pursuant to Paragraphs 2.01 and 2.02 shall be fully paid insofar as the design capacity of the PLANT for the manufacture of PRODUCTS does not exceed the following capacity or weight:

(a) Acetic Acid - Six Hundred Million (600,000,000) pounds per annum.

(b) Styrene Monomer - One Billion Five Hundred Million (1,500,000,000) pounds per annum.

2.05 - In the event that prior to the expiration of the confidentiality period set forth in Article IV, there is an increase in design capacity of that part of the PLANT in which PRODUCTS specified in Paragraph 2.04 are produced so as to provide a design capacity for such PRODUCTS greater than the corresponding weight for such PRODUCTS specified in Paragraph 2.04, or alternatively, in the event the total production of such PRODUCTS exceeds the weight set forth in Paragraph 2.04 in any calendar year, LICENSEE shall promptly inform MONSANTO of any such increase in design capacity or excess production and shall pay to MONSANTO an incremental royalty for the total excess capacity or for the total excess production, whichever is greater, calculated on an annual basis. Such incremental royalty shall be paid at a rate determined as a percentage of the respective NET SALES VALUE (as defined in Paragraph 2.07 of this Article II) of each of such PRODUCTS, calculated on the aforementioned annual basis and based on the greater of the total excess design capacity or the total excess production for such PRODUCT produced in the PLANT and sold or used by LICENSEE. The percentage rate shall be as follows: (a) Acetic Acid -

three percent (3%) of NET SALES VALUE and (b) Styrene Monomer - one percent (1%) of NET SALES VALUE. The payments of running royalties provided for in this Paragraph 2.05 shall be made on or before the last day of January for each preceding calendar year during the period which running royalties are due hereunder. LICENSEE shall submit to MONSANTO a written report on or before the last day of each January, setting forth the quantity of PRODUCTS specified in Paragraph 2.04 produced at the PLANT and sold or used during the next preceding calendar year. Any running royalties payable to MONSANTO hereunder shall be paid as indicated above at the time said report is submitted to MONSANTO. Notwithstanding the foregoing, if MONSANTO hereafter grants to any other licensee a license in the United States for the manufacture of the PRODUCTS specified in Paragraph 2.04 under applicable TECHNICAL INFORMATION and trade secrets, copyrights, and Letters Patent upon royalty terms more favorable than those recited in this Paragraph 2.05, MONSANTO shall promptly notify LICENSEE and offer those terms [with the conditions and provisions (other than those as to duration) contained in such other license] to LICENSEE.

2.06 - LICENSEE shall keep such detailed records and books of account of each PRODUCT specified in Paragraphs 2.04 and 2.05 produced in the PLANT under the rights and licenses granted pursuant to Paragraphs 2.01 and 2.02 as are reasonably necessary for ready determination of LICENSEE's payment obligations provided for in this Article II. Such records and books of account for the current and previous two (2) years shall, upon prior written request of MONSANTO, be open to inspection during business hours by an independent certified public accountant, selected by MONSANTO, except one to whom LICENSEE has some reasonable objections, solely in order to ascertain the amount of each PRODUCT specified in Paragraphs 2.04 and 2.05 which has been manufactured by LICENSEE in the PLANT to the extent necessary to verify the amount of any incremental payment due MONSANTO under this Article II. MONSANTO and its independent certified public accountant shall, except for disclosure to each other, maintain all reports received and audit information obtained with respect to quantities of PRODUCTS produced and the NET SALES VALUE of such PRODUCTS in confidence; provided, however, this obligation of confidence shall not preclude MONSANTO from using such reports and information to pursue its right to enforce its rights under this Agreement.

2.07 - NET SALES VALUE as used in this Article II shall mean the gross sales price less discounts and allowances to customers, expense of transporting shipments from LICENSEE to LICENSEE's customers, premiums on insurance against loss or damage in transit, and taxes and duties based directly on the sales, insofar as the aforesaid terms apply directly to the PRODUCTS sold and are included in the gross sales price. With respect to any quantity of PRODUCT subject to royalty hereunder that is used by LICENSEE for its own purposes, or transferred to a subsidiary or affiliate of LICENSEE, or a subsidiary or affiliate thereof, the NET SALES VALUE of said quantity of PRODUCT shall be deemed to have the same NET SALES VALUE as that quantity of such PRODUCT which is sold by LICENSEE during the reporting period at the average unit NET SALES VALUE for that year. In the event LICENSEE shall have made no sale of such PRODUCTS at such time, then the NET SALES VALUE of the last sale of such PRODUCT by LICENSEE occurring within eighteen (18) months prior to the end of the reporting period shall govern, or, in the event a last sale has not occurred within the time period specified, then NET SALES VALUE shall mean the cost of direct labor and materials consumed in the manufacture of such PRODUCT computed in accordance with LICENSEE's standard accounting procedures, plus one hundred percent (100%) of such costs in lieu of overhead and all other indirect charges.

2.08 - LICENSEE shall have the right to grant sub-licenses under the licenses granted pursuant to Paragraphs 2.01 and 2.02 of this Article II to a third party purchasing or operating all or a substantial part of the PLANT, or with respect to any specified PRODUCT, that portion of the PLANT used to produce such PRODUCT, such sublicenses to be for the sole purpose of and only to the extent necessary to enable such purchaser or operator to operate and maintain the PLANT, or that portion thereof purchased or operated by the purchaser or operator to produce PRODUCTS or ACY at the PLANT and to use and/or sell PRODUCTS or ACY so produced.

Any sublicense granted pursuant to this Paragraph 2.08 shall be of no greater scope than the licenses granted to LICENSEE pursuant to Paragraphs 2.01 and 2.02.

2.09 - Notwithstanding any provision to the contrary contained herein, no license is granted herein to LICENSEE to use any trademark of MONSANTO.

ARTICLE III - CONFIDENTIALITY

3.01 - LICENSEE, recognizing the proprietary nature of the TECHNICAL INFORMATION, shall for a period of fifteen (15) years following the DATE OF THIS AGREEMENT retain any and all TECHNICAL INFORMATION in confidence and not use other than as licensed herein.

3.02 - LICENSEE's obligations to MONSANTO pursuant to Paragraph 3.01 shall not apply to any TECHNICAL INFORMATION which:

(a) was in the possession of LICENSEE prior to the date of disclosure thereof by MONSANTO and was not previously obtained, directly or indirectly, from MONSANTO; or

(b) is or has become publicly known, through no fault of LICENSEE, but only after such public knowledge occurs; or

(c) is received by LICENSEE from a third party free of any obligation of confidence to such third party.

For the purposes of interpretation of this Paragraph 3.02, no specific TECHNICAL INFORMATION under Paragraph 3.01 shall be excluded from LICENSEE's obligation to keep the same confidential merely because such specific TECHNICAL INFORMATION happens to fall within the broad scope of more general technology to which one or more of exclusions (a), (b), or (c) may otherwise apply.

3.03 - LICENSEE shall advise all of its employees and third parties who may be granted access to TECHNICAL INFORMATION (including access to the PLANT by technically trained personnel) of the confidentiality obligations set forth in Paragraph 3.01 and shall require all such employees and third parties, prior to granting them such access, to enter into a confidentiality undertaking with LICENSEE under terms and conditions no less restrictive than the confidentiality obligations set forth in this Article III. Any and all such confidentiality undertakings shall contain a provision making MONSANTO a third-party beneficiary thereunder with all rights and privileges pertaining thereto. The obligations of this Paragraph 3.03 shall not apply to contracts or other arrangements with third parties which already exist as of the DATE OF THIS AGREEMENT, including those business arrangements assigned to LICENSEE by LICENSOR and listed in Exhibit 10.1(a) of the ASSET PURCHASE AGREEMENT and those business arrangements listed in Exhibit 10.2 of the ASSET PURCHASE AGREEMENT for which duplicate services request letters were sent by MONSANTO.

3.04 - Any and all sublicenses granted by LICENSEE in accordance with Paragraph 2.06 of Article II shall require the sublicensee to be bound by confidentiality obligations no less restrictive than those set forth in this Article III. LICENSEE shall in all cases be responsible for and shall guarantee the performance by its sublicensees or assignee under Paragraph 5.01 of Article V of all the terms and conditions of this Agreement.

3.05 - While MONSANTO will endeavor to insure that no materials embodying information unrelated to the transaction contemplated herein (Other Information) shall remain at the PLANT after Closing, it is recognized that some such Other Information may inadvertently remain. In such an event, LICENSEE shall immediately return and deliver to MONSANTO at MONSANTO's expense, all such Other Information and LICENSEE and its employees who have had access thereto shall maintain such Other Information as strictly confidential and shall not use such Other Information for any purpose.

ARTICLE IV - WARRANTIES AND INDEMNITIES

4.01 - MONSANTO represents and warrants that:

(a) TECHNICAL INFORMATION disclosed to LICENSEE under this Agreement represents all currently existing information in tangible form owned by and in MONSANTO's possession at the PLANT as of the DATE OF THIS AGREEMENT which is necessary to (i) operate and maintain the PLANT and (ii) produce PRODUCTS or ACY in the PLANT.

(b) Except as listed in Exhibit 12.1(r) to the ASSET PURCHASE AGREEMENT, (i) the license rights granted pursuant to Article II of this Agreement and the

Third Party Licenses (as defined in Paragraph 2.2 of the ASSET PURCHASE AGREEMENT) are all the proprietary rights which MONSANTO possesses or has knowledge of with respect to the technology, know-how and other information that are materially necessary for the operation and maintenance of the PLANT and the production and sale of PRODUCTS and ACY as practiced at the PLANT as of the DATE OF THIS AGREEMENT; (ii) MONSANTO is not in default under the Third Party Licenses; and (iii) such Third Party Licenses, upon their transfer to LICENSEE pursuant to the ASSET PURCHASE AGREEMENT, shall be free and clear of all royalty or payment obligations.

(c) Except as otherwise disclosed to LICENSEE in writing, (i) no claims have been asserted against MONSANTO and remain pending, nor are any claims threatened against it, based upon the alleged infringement by MONSANTO of any third party Letters Patent, trade secret, or software copyright in the operation and maintenance of the PLANT or the manufacture, use or sale of PRODUCTS or ACY; and (ii) MONSANTO does not otherwise have reason to believe that the operation of the PLANT as it is being operated as [illegible] AGREEMENT or the use of the TECHNICAL INFORMATION

00 ·09

therein infringes upon the rights of third parties except as set forth in Exhibit 2.1(a)-2.

4.02 - If a suit is filed against LICENSEE in the United States alleging that LICENSEE's use of TECHNICAL INFORMATION licensed hereunder infringes the claim(s) of any trade secret, software copyright, or United States Letters Patent which exists or is issued on or prior to the DATE OF THIS AGREEMENT, MONSANTO agrees, promptly on receipt of written notice from LICENSEE of institution of such suit, subject to Paragraph 4.06 below, and provided that the alleged infringement concerns LICENSEE's use of such TECHNICAL INFORMATION to operate and maintain the PLANT to produce PRODUCTS and ACY in accordance with the procedures employed in the PLANT by MONSANTO for such operation and maintenance as of the DATE OF THIS AGREEMENT,

(a) to undertake and diligently conduct at MONSANTO's expense, the defense of such suit, and

(b) to indemnify LICENSEE against any out-of- pocket costs, damages, or royalties payable by LICENSEE or direct damages (excluding special damages) incurred by LICENSEE as a result of any judgment if and when such judgment becomes final.

LICENSEE shall exert all reasonable efforts to assist MONSANTO in connection with any such suit, and shall have the right to be represented therein by advisory counsel of [illegible] at its own expense. MONSANTO shall have full control of the defense of any such suit, but, except as specifically set forth in Exhibit 2.1(a)-3, shall not be free to settle the same without the consent of LICENSEE if by the settlement LICENSEE would be obligated to make any payments or if the settlement would cause impairment of the ability of LICENSEE to continue the licensed operations.

4.03 - In the event that as a result of a suit as set forth in Paragraph 4.02, MONSANTO and LICENSEE agree that the alleged infringement can be avoided by a modification of the PLANT or of the operations of the PLANT without lowering the performance of the PLANT below the design capacity existing as of the DATE OF THIS AGREEMENT, MONSANTO may elect to indemnify LICENSEE for the out-of-pocket costs chargeable to making such modifications in lieu of any payments which might otherwise become due if such modifications are not made by LICENSEE.

4.04 - In the event that as a result of a suit as set forth in Paragraph 4.02, MONSANTO and LICENSEE mutually agree that:

(a) it is deemed necessary to acquire a license under the United States Letters Patent, trade secret, or software copyright in suit in order to permit the use in the original PLANT of any feature of the TECHNICAL INFORMATION provided to LICENSEE by MONSANTO pursuant to this Agreement, and

(b) it is preferable to acquire such license prior to a final judgment after institution of such suit alleging infringement because of LICENSEE's operations as aforementioned,

then LICENSEE shall be indemnified by MONSANTO against royalties becoming due under such a license.

4.05 - LICENSEE shall supply MONSANTO with a copy of any costs, any judgment or any license granted by any third party under which LICENSEE requests from MONSANTO indemnification according to Paragraphs 4.02, 4.03, and/or 4.04 and shall notify MONSANTO of all payments of royalties made by LICENSEE thereunder to such third party.

4.06 - Except for breaches of MONSANTO's representations set forth in Paragraph 4.01, MONSANTO's liability, whether one or more suits are filed against LICENSEE, for any expenses, indemnifications, reimbursements, costs of modifications and the like which may be incurred under Paragraphs 4.02, 4.03, and 4.04 combined shall be cumulative and, except as specifically set forth in Exhibit 2.1(a)-3, shall not exceed a maximum of Two Million United States Dollars ($2,000,000) for each of the PRODUCTS specified in Paragraph 1.04 of Article I and ACY.

4.07 - Notwithstanding any other provision of this Agreement, the liability of MONSANTO under this Agreement shall be limited as provided in Section 23.6 of the ASSET PURCHASE AGREEMENT.

4.08 - The provisions set forth in Paragraphs 4.02, 4.03, 4.04, 4 05, 4.06, and 4.07 state the entire liability of MONSANTO to LICENSEE with respect to LICENSEE's use of TECHNICAL INFORMATION licensed hereunder, and except as specifically provided in such paragraphs, MONSANTO shall not be liable either directly or indirectly or as an indemnitor of LICENSEE as a result of any claim arising in any way from LICENSEE's use of TECHNICAL INFORMATION.

ARTICLE V - ASSIGNMENT

5.01 - This Agreement shall be assignable by LICENSEE to any assignee of or successor to all the assets of LICENSEE related to the PLANT, provided the assignee or successor assumes the obligations of LICENSEE under this Agreement. This Agreement shall be assignable by MONSANTO in whole or in part, provided such assignee assumes the obligations of MONSANTO under this Agreement. In the event of any such assignment by MONSANTO, MONSANTO, unless LICENSEE otherwise consents, shall remain liable with respect to the warranties and indemnities set forth in Article IV. Except as provided in this Paragraph 5.01, any purported assignment by one party without the prior written consent of the other party shall be null and void.

5.02 - Any assignment in accordance with Paragraph 5.01 shall not thereby relieve the assigning party of any of its continuing obligations made under this Agreement which were incurred prior to the effective date of such assignment.

ARTICLE VI - NOTICE

6.01 - Any notice required or permitted to be given under this Agreement shall be in writing, and shall be deemed sufficiently given when delivered in person or transmitted by telegram, or when deposited in the United States mail (registered or certified) postage prepaid, to the addresses given below or sent by telex to the telex numbers set forth below provided that the telex shall reflect the answerback of the receiving party.

MONSANTO: Monsanto Company
800 orth Lindbergh Boulevard
St Louis, Missouri 63167
ATTENTION: Mr. Earl N. Brasfield,
Vice President
Telex No. 447282

Answerback: MONSANTO STL
with copy to Mr. Arthur E Hoffman
Patent Counsel
Monsanto Chemical Company
Monsanto Company
800 North Lindbergh Boulevard
St. Louis, Missouri 63167

LICENSEE: Sterling Chemicals, Inc.
Eight Greenway Plaza, Suite 702
Houston, Texas 77406

ATTENTION: President
Telex No.: 76-2141
Answerback: BRACEPAT-HOUSTON

or to such other address or addresses as may be specified, from time to time, by written notice to the other party hereto, or by such other means as the parties may mutually agree upon from time to time. A recipient party shall promptly acknowledge in writing receipt of any document(s) delivered by hand to its employee(s) or officer(s).

ARTICLE VII - MISCELLANEOUS

7.01 - The validity, interpretation, and performance of this Agreement, for all purposes, shall be governed by the laws of the State of Texas.

7.02 - The headings of Articles are for convenience only and are in no way to be construed as part of this Agreement or as a limitation of the scope of the particular Article to which they refer.

7.03 - This Agreement constitutes the full understanding of the parties, a complete allocation of risks between them and a complete and exclusive statement of the terms and conditions of their agreement relating to the subject matter hereof and supersedes any and all prior agreements, whether written or oral, that may exist between the parties with respect thereto. Except as otherwise specifically provided in this Agreement, no conditions, usage of trade, course of dealing or performance, understanding or agreement purporting to modify, vary, explain or supplement the terms or conditions of this Agreement shall be binding unless hereafter made in writing and signed by the party to be bound, and no modification shall be effected by the acknowledgement or acceptance of documents containing terms or conditions at variance with or in addition to those set forth in this Agreement. No waiver by either party with respect to any breach or default or of any right or remedy and no course of dealing, shall be deemed to constitute a continuing waiver of any other breach of default or of any other right or remedy, unless such waiver be expressed in writing signed by the party to be bound. Failure of a party to exercise any right shall not be deemed a waiver of such right or rights in the future.

7.04 - At the closing of the transaction contemplated in the ASSET PURCHASE AGREEMENT, MONSANTO shall enter into an Acrylonitrile Technical Assistance Agreement with LICENSEE in the form appended to the ASSET PURCHASE AGREEMENT as Exhibit 2.3

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate by their duly authorized representatives as of the day and year first above written.

MONSANTO COMPANY

By Don R. Dacus wiz

Title Ass't Controller

STERLING CHEMICALS, INC.

By J. Virgil Waggoner

Title President

IMAGE EVALUATION
TEST TARGET (MT-3)

150mm

6"

BECHTEL
Information Services
15740 Shady Grove Road
Gaithersburg, Maryland 20877-1454

EXHIBIT 2.1(a)-1

POTENTIAL TEXAS CITY COST REDUCTION PROJECTS
(1985-1986)

PROJECT TITLE

1) Debottle HAc by 50M#
(MeOH Down)

2) Debottle HAc by 110M#
(MeOH Down)

3) HAc D203 Revisions

4) Misc Small HAc Projects

5) Styrene Reboil

6) Styrene Flux Oil

7) Plasticizer PA Recovery

8) Plasticizer PA PRoVOX

9) Plasticizer OXO PRoVOX

10) Plasticizer PA Residue Fuel

11) MeOH Turbogen
(MeOH Down)

12) GE Turbogen/Heat Recovery (Not the proposed 400 Megawatt cogeneration project)

13) GE/MeOH Turbogen
(MeOH Down)

14) Shutdown CT-2,8

EXHIBIT 2.1(a)-2

U. S. Patent 4,409,122, Kleuskens et al, entitled "Catalyst Reactivation", assigned to Stamicarbon, B.V. (Dutch States Mines) for the regeneration of tellurium catalysts. Currently in reissue proceedings, S.N. 669,709, filed November 6, 1984.

EXHIBIT 2.1(a)-3

Sterling Chemicals, Inc.
Eight Greenway Plaza
Suite 702
Houston, Texas 77406

Gentlemen:

This is to advise you that Monsanto Company (Monsanto) will undertake to defend Sterling Chemicals, Inc. (Sterling) at Monsanto's expense in any suit brought against Sterling for alleged infringement of U.S. Patent number 4,409,122 or any Reissue patent resulting from application for Reissue Serial Number 669,709, (said patent and/or any reissue thereof being hereafter referred to as "The Patent") to the extent that their suit is based on a claim or claims that reactivation by Sterling in the Texas City plant, purchased from Monsanto by Sterling (The Plant), of Nitto NS 733B or NS 733C catalyst in accordance with the operating procedures employed in The Plant by Monsanto at the time of its purchase by Sterling, infringes any claim of The Patent. Moreover, Monsanto will indemnify Sterling with respect to all damages and court costs awarded against Sterling in any such suit or any costs of a settlement conducted by Monsanto with respect thereto. Monsanto makes this undertaking with the understanding that Sterling will give Monsanto prompt notice in writing of any such suit or threat of suit; will provide Monsanto the opportunity to conduct the settlement of any such claim and to conduct the defense of any such suit; and will provide Monsanto reasonable assistance to the extent of making evidence available and permitting Sterling's employees to testify if so required. Monsanto will reimburse Sterling for the expense incurred in providing evidence and testimony requested by Monsanto. It is hoped that this makes Monsanto's position clear and relieves Sterling of concerns it may have regarding The Patent.

Very truly yours,

MONSANTO COMPANY

By________________________

Title_______________________

LIST OF ALL BUSINESS ARRANGEMENTS TO BE ASSIGNED

THIS EXHIBIT INCLUDES BY REFERENCE ALL RELEVANT MATTERS SET FORTH IN THE AGREEMENT AND ANY OTHER EXHIBIT THERETO.

IDENTIFICATION OR DATE OF ARRANGEMENT	PARTY	TYPE OF ARRANGEMENT
Outside Processors		
SWR 138	Accron Chemical Distributors	Oxalic Acid, Topanal Packaging
TCA 188	Bealine Service	Hazardous Waste Hauling
SWR 425	Calgon Corporation	Adsorption System
SWR 686	Gulf Coast Maintenance	Cat. Hndlg./Serv. Whse.
9/1/80	Reagent Chemical & Research	Waste NH_4Cl Recovery
10/1/85	South Coast Terminal	Acetic Acid Repackaging Portion Only
TCA 46	Western Marine	Tank Cleaning
2/5/86	Taylor Chem. Co. Inc. (WESTVACO), to the extent not previously terminated	By-Product Sales
6/1/84	PGP Ind. Inc.	Spent Catalyst Processing
Transportation		
6/25/80	Coastal States Crude Gathering Co.	Benzene Tankage & Thruput
6/15/73 Amended 12/15/77	Powell Duffryn Terminals, Inc.	Styrene Tankage & Thruput, Lemont
3/1/45	Texas City Terminal	Industrial Sidetrack
8/29/78 2/9/82 (Amended)	Texas City Terminal Railway Company	Storage Track Lease
SWR 370	Paktank Corporation	Tank Rental & Thruputs HO — Galena Park
Texas City Local Arrangements		
TCA 164	A & B Concrete Coring	Concrete Coring
TCA 130	A.P. Green Refractory	Insulation Contractor

00700 per

LIST OF ALL BUSINESS ARRANGEMENTS TO BE ASSIGNED

IDENTIFICATION OR DATE OF ARRANGEMENT	PARTY	TYPE OF ARRANGEMENT
TCA 78	Alfa-Laval	Equipment Service
TCA 162	Allied Office Systems	Office Renovation
TCA 165	Amerigas, Inc.	Rep. Welding Eqpt.
TCA 176	Anaid, Inc.	Inspection Ser.
TCA 114	Assoc. Fire & Safety	Safety Equip. Insp.
TCA 147	Baytown Industrial X-Ray	Inspection Ser.
TCA 222	BES, Inc.	Transformer Oil Analysis
TCA 152	Boggs & Tatum	Gen. Contr.
TCA 30	C. R. Haile Associates	Engr. Consultants
TCA 113	Carpet Center	Carpet Install.
TCA 185	Carpet Center	Carpet & Service
TCA 7	Ceilcote Co.	Acid Proofing
TCA 140	Center Engineering	Rotary Equipment Insp.
TCA 163	Compressor Engr. Corp.	Compressor Repair
TCA 149	Conam Inspection	Ultrasonic Test NH_3 Tank
TCA 156	Contr. Machinery Repair	Vehicle Repair
TCA 112	Crane Tex	Rig Repairs
TCA 115	Custodis-Ecodyne Cool. Tower	CT Repair
TCA 110	Cyberex	Inverter Ser/Training
TCA 199	D & L Glass Co.	Glass Repair
TCA 121	D. Engineering	Surveying
TCA 20	De Jean Construction Co.	Gen. Constr.
TCA 105	Dedietrich	Glass Lined Equip. Ser.
TCA 84	Dionex Corp.	Instr. Repair
TCA 45	Dresser Industries, Inc.	Equip. Ser. Consult.
TCA 175	Duane Houkom, Inc.	Controlled Blasting

LIST OF ALL BUSINESS ARRANGEMENTS TO BE ASSIGNED

IDENTIFICATION OR DATE OF ARRANGEMENT	PARTY	TYPE OF ARRANGEMENT
TCA 137	E. L. Lester & Co.	Rig Repair
TCA 178	Energy Sealing Systems	Online Leak Rep. Ser.
TCA 53	Ertl Associates	Turnaround Planning
TCA 75	F. W. Gartner Co.	Concrete Lining
TCA 145	Floyd Eqpt. & Contract	Rigging Contr.
TCA 183	George Hedge Contractors	RR Repairs
TCA 21	Gerhardt's, Inc.	Governor Repair
TCA 70	Global Cathodic Protect.	Deepwell Groundbed Insulation
TCA 86	Graver Tank & Mfg.	Tank Repair/Fabr.
TCA 167	Gulf Coast Measuring	Metering Service
TCA 170	H. C. Chandler & Sons	Rubber Lining & Repair
TCA 118	Halliburton Ind. Service	Hydroblasting
TCA 72	Hardy Scales	Scale Repairs
TCA 146	Hewden-Stuart, Inc.	Special Crane Lifts
TCA 3	Hous. Fire & Saf. Eqpt. Co.	Safety Equip. Inspec.
TCA 184	Houston Fire & Safety	Safety Equipt.
TCA 161	Houston Scale Service	Scale Service
TCA 148	In-House Inspection Co.	Inspection Service
TCA 87	Independent Testing Labs	Acoustic Testing
TCA 55	Indust. Technical Corp.	Ser. Closed Cir. TV
TCA 5	Infrared Surveys	Infrared Services
TCA 157	IWECO	Cylinder Delivery
TCA 127	J & J Marine Diving	Diving Services
TCA 128	J. T. Thorpe Co.	Insulation Contr.
TCA 17	Kinco, Inc.	Rental Equip.
TCA 67	Kleen Kontrol	Porta Can Service

10.1 A/2-3- 7/30/86

00702

EXHIBIT 10.1(a)

LIST OF ALL BUSINESS ARRANGEMENTS TO BE ASSIGNED

IDENTIFICATION OR DATE OF ARRANGEMENT	PARTY	TYPE OF ARRANGEMENT
TCA 101	Leak Control Systems	On-Line Leak Repairs
TCA 223	Linden-Alimak, Inc.	Elevator Service
TCA 26	Manitowoc Coastal States	Rig Repairs/Rental
TCA 58	Maroco Inc.	Insulation
TCA 136	Marine Maint. Industries	Marine Spill Cleanup
TCA 88	McClelland Engineers	Groundwater Qual. Assess.
TCA 63	McLains, Inc.	Governor Repairs
TCA 94	Micrometrics	Repair Lab Instr.
TCA 49	MYOCO (Morris-Owens-Young)	Cold-Cut. Lg. Pipe; Pipeline
TCA 116	National Tower Services	CT Repairs
TCA 48	Non-Destruct. Insp. Corp.	Equip. Insp.
TCA 123	NUS Corporation	Environ. Lab Analysts
TCA 28	Overhead Door of Houston	Garage Door Repair
TCA 37	Parkland, Inc.	HVAC-Sheetmetal
TCA 71	Patent Scaffold	Scaffold Erection
TCA 220	Perkin-Elmer Corp.	Lab/Instr Repairs
TCA 221	Pfaudler Co.	Glass Lining Repairs
TCA 132	Piping Engineering Co.	Exch. Tube Maint/Engr.
TCA 41	Planned Maintenance Serv.	Rep. Glass-Lined Vessels
TCA 19	Pruitt Construction	Gen. Constr.
TCA 126	Rasmussen, Inc.	Sheet Metal Contr.
TCA 151	Reeves Interiors	Carpet Install.
TCA 95	Reflange Co.	Flange Repair
TCA 119	Reliable Leasing Co.	Truck Leasing
TCA 65	Reliance Electric Co.	Electric Motor Repair
TCA 169	RIC Gunite & Refract.	Refractory Repairs

EXHIBIT 10.1(a)

LIST OF ALL BUSINESS ARRANGEMENTS TO BE ASSIGNED

IDENTIFICATION OR DATE OF ARRANGEMENT	PARTY	TYPE OF ARRANGEMENT
TCA 22	Sikes Fabricating Co.	Vessel Fabricators
TCA 2	Smith Industries	Rubber Lining
TCA 218	South Tex. Equipment Co.	Rig Repairs
TCA 187	Southern Inst. Service	Instrument Contr.
TCA 89	Spectra Physics	Ser/Rep S-P Equip.
TCA 44	Star Fence Co.	Fence Contr.
TCA 173	Stebbins Engr. & Mfg. Co.	Coatings, Lining Serv.
TCA 120	Stewart & Stevenson	Mech. Rep. Diesel
TCA 68	Tank Service	Repair & Erection
TCA 166	Texas Steam Equipment	Steam Trap Survey
TCA 153	Toledo Scale	Scale Service
TCA 171	TRACERCO Corp.	Radioisotope Process Invest.
TCA 100	Transformer Consultants	Transformer Serv.
TCA 189	Trim-Lawn	Lawn Maintenance
TCA 27	Turbo-Fix, Inc.	Equipment Consultant
TC 30303	U. S. Data	Rental/Rep. Printronix Pr.
TCA 177	UCISCO, Linde Div.	Nitrogen Supplier
TCA 97	Ultraflote	Install. Fltg. Roof-Tanks
TCA 57	Varian Associates, Inc.	Instr. Repairs
TCA 74	Vaughn Construction	Gen. Constr.
TCA 23	W. C. Scott Co.	Office Renovation
TCA 181	Walker Waterwell	Pump & Well Serv.
TCA 141	Wayne Broyles Engr. Corp.	Cathodic Prot. Serv.
TCA 39	Westheimer Contracting	Rigging Contractor
TCA 186	Westinghouse El. Appl. Repr.	Electrical Equipment Repair

LIST OF ALL BUSINESS ARRANGEMENTS TO BE ASSIGNED

IDENTIFICATION OR DATE OF ARRANGEMENT	PARTY	TYPE OF ARRANGEMENT
TCA 38	Wyatt Div-U.S. Indust.	Tank Repair & Fabr.
TCA 81	York Cor-Div Borg-Warner	HVAC Contractor
TCA 77	Zurn Industries, Inc.	Boiler Repairs/Consult.
TCA 159	Asto Metallurgical	Glass Lined Vessel Inspection/Repair
TCA 190	General Electric Apparatus/ Engr. Services	Transformer Cleaning & Repair
TCA 191	Mayflower Vapor Seal Corp.	Tank Seal Repairs
TCA 192	Martec Crane Services, Inc.	Crane Inspection Services
TCA 193	Preventative Maint. Corp.	Dust Control
TCA 194	Colt Services, Inc.	In-plant Hydroblasting
TCA 195	S. A. Consulting, In.c.	Consulting Services
TCA 196	Respiratory Protection Services	Mask Fit Tests
TCA 197	Dunegan Testing, Inc.	Repair Emissions Equipment
TCA 200	Valley Microforms Inc.	Microfilming
TCA 202	Lefco Western	Waste Treatment and Handling
Raw Materials 10/15/85	Amoco	CO_2 Contract 120,000 tons/yr min.
S.W. Region Arrangements SWR 458	Burbank Barrel & Drum	Sale of Used Drums
SWR 124	Cron Chemical	Microcell T-38
SWR 127	C. S. Industries	CO_2 Liquid
SWR 359	Design Assurance, Inc.	Consultant/Design, Draf.
SWR 118	Dow Chemical Co.	Anhyd. HCL
SWR 605	Dutch Kettle Ind. Serv.	Overtime Meals
SWR 462	Farmer's Marine Copper	Machinists & Boilermakers
SWR 367	Gulf Coast Ind. Guard Ser.	Guard Service

LIST OF ALL BUSINESS ARRANGEMENTS TO BE ASSIGNED

IDENTIFICATION OR DATE OF ARRANGEMENT	PARTY	TYPE OF ARRANGEMENT
SWR 402	Hunter Chemicals	Chem. Cleaning Syst.
SWR 111	Union Carbide Linde	Bulk Nitrogen
SWR 105	M & T Chemicals	Stannous Oxalate
SWR 449	Mobile Fleet Maintenance	Vehicle Service
SWR 106	Neville	TBC
SWR 302	Owens Corning	Insulation Manpower
SWR 401	Patterson Plumbing	Plumbing Service
SWR 415	Pilko & Assoc. Inc.	Assessment of Outside P
SWR 411	Pro-Access	Consultants
SWR 654	Reliance Universal	Paint
SWR 477	Robco Janitorial	Vehicle Service
SWR 685	Safety Shoe Distr.	Safety Shoes
SWR 142	Sandoz Chem Corp.	MSI
SWR 326	Sline Ind. Painters	In-plant painting
SWR 526	Southwest Ind. Supply	New Surplus Valves
SWR 119	Stauffer	Sulfur Dioxide
SWR 426	Straus Systems	A/C In-Plant Maintenance
SWR 482	Woodward Clyde	Underground Monitoring
SWR 114	Liquid Carbonic	Liquid CO_2
3/1/8.	Shell Chemical	Catalyst
Utilities		
1/20/67	Texas-New Mexico	Power Contract
3/1/74	MNG	Natural Gas
7/1/85	Big Three	Pipeline Nitrogen
1/1/84	Air Products	Liquid Nitrogen

7/30/86

EXHIBIT 10.1(a)

LIST OF ALL BUSINESS ARRANGEMENTS TO BE ASSIGNED

IDENTIFICATION OR DATE OF ARRANGEMENT	PARTY	TYPE OF ARRANGEMENT
7/9/75	Galveston Co. Water Authority, Texas City Refining, Inc., Marathon Oil Co. Union Carbide	Water Facilities Contract
6/1/71	Galveston Co. Water Authority	Water Supply Contract
Lactic Acid 12/11/85	C. S. Coyne Chem. Co. Inc.	Distributor Contract*
Oral BPO No. 65949 Rec'd 1/2/86 Acknowledged 1/7/86	C.P.S. Chemical Co. Inc.	Sales - BPO
BPO No. D3512 Dated 1/15/86 Acknowledged 1/22/86	Firmenich	Sales BPO*
1/13/86	Hydrite Chemical Co.	Distributor Contract*
12/11/86	Independent Chemical Co.	Distributor Contract*
12/11/86	Kramer Chemicals Inc.	Distributor Contract*
BPO No. C512042 Dated 12/26/85	Kraft Inc.	Sales BPO
11/5/85	C. J. P[illegible]rson	Sales Contract
BPO No. 866-100131 Dated 12/30/85 Acknowledged 2/19/86	PPG Industries Inc.	Sales BPO
BPO No. 50358 Dated 1/14/86	Porter Paint Co.	Sales BPO*
1/29/86	SCM Corp. (Durkee)	Sales Contr[illegible]
12/11/85	Suburban Chem. Co.	Distribut[illegible]
4/21/86	Suffolk Chemical Co.	Distribut[illegible]
12/11/85	Tilley Chemical Co. In[illegible]	Distributor Contract*
12/26/85	Worth Chemical Corp.	Distributor Contract*

00707

LIST OF ALL BUSINESS ARRANGEMENTS TO BE ASSIGNED

IDENTIFICATION OR DATE OF ARRANGEMENT	PARTY	TYPE OF ARRANGEMENT

ACTIVE PRICE EXCEPTION SITUATIONS (S-69'S) NOT COVERED BY FORMAL BPO OR CONTRACT:

	Hawkins Chemical	S-69
	Worth Chemical	S-69
	Baxter-Travenol	S-69
	McKesson at Anderson-Clayton	S-69
	McKesson at Topps	S-69

*Partial assignment for lactic acid only — i.e., multi-product distributor contractor or BPO.

Styrene/Ethylbenzene Arrangements

3/12/86 (7330)	Phillips Chemical Co.	Conversion Letter of Agreement
1/12/86	Cook Paint & Varnish Co.	Sales Contract
5/13/82 Amended 10/12/83	Richardson Polymer Corp.	Sales Contract
12/16/85 (6300)	B. F. Goodrich	Sale with Ethylene Conversion Option
Monsanto Ref. 5000	Amoco	Styrene Monomer Exchange
Monsanto Ref. 8000	ARCO	Styrene Monomer Exchange
Monsanto Ref. 6100	Borg Warner	Styrene Monomer Exchange
Monsanto Ref. 5300	Chevron Chemical	Styrene Monomer Exchange
Monsanto Ref. 7630	Dow Chemical	Styrene Monomer Exchange
10/15/84	PEMEX	Sales Agreement
Monsanto Ref. 7400	FINA	Styrene Monomer Exchange
Monsanto Ref. 6400	Huntsman Chemical	Styrene Monomer Exchange
Monsanto Ref. 7350	Phillips Chemical	Styrene Monomer Exchange

[illegible] Business Arrangements

11/14/73	Lubrizol Corp.	Sales Contract

LIST OF ALL BUSINESS ARRANGEMENTS TO BE ASSIGNED

IDENTIFICATION OR DATE OF ARRANGEMENT	PARTY	TYPE OF ARRANGEMENT
12/2?/85	Sherex Chemical Co.	BPO, as Acknowledged by Monsanto
2/13/86	Morton Thiokol, Inc.	Sales Contract
12/3/84	Uniroyal Chemical Co.	Sales Contract
4/27/86	Hanil Synthetic Fiber Ind. Co., Ltd.	Sales Contract
8/2/83 As Amended	Mitsubishi International Corp.	Sales Contract
9/28/78	Aksa Akrilik Kimya Sanayii A.S.	Sales Contract
10/1/82	SNIA Fibres S.p.A.	Sales Contract
10/15/84 As Amended	PEMEX	Sales Contract
Other		
12/19/85	Union Carbide	Cryogenic Processing Unit
8434	S&B	Design of Syngas Project
Labor Contracts		
5/1/85	Texas Metal Trades Council, AFL-CIO	Union Agreement
1/24/86	Texas Metal Trades Council, AFL-CIO	Benefits Agreement
5/1/85	Associated Guards of the United States	Guards Agreement
1/24/86	Associated Guards of the United States	Benefits Agreement
5/1/85	Local 347, International Union of Operating Engineers	Cafeteria Workers Agreement
1/24/86	Local 347, International Union of Operating Engineers	Benefits Agreement

10.1 A/2-10-

7/30/86

00709

TANK CAR LEASE AGREEMENTS:

LEASING COMPANY	DESCRIPTION OF CONTRACT	NO OF CARS THIS CONTRACT	TANK CAR IDENTIFICATION NO.	TYPE OF ASSIGNMENT
ACF Industries Shippers Car Line Central District Sales Office 3301 Rider Trail South Earth City, Mo. 63045-1393	Master Contract 5-3348	2	ACFX 082110 ACFX 082111	Total
	Master Contract 5-8499	3	ACFX 083658 ACFX 083663 ACFX 083665	Partial
General American Transportation Corporation 120 So. Riverside Plaza Chicago, Ill. 60606	Master Contract 1410 with Amendments 1, 2, 3, 4, 5 and Rider 382 with Amendment 1 to Rider	2	GATX 098525 GATX 098537	Total Rider 382
GLNX Corporation 25231 Grogan's Mill Road The Woodlands, Tx. 77380	Master Contract 990, Rider 23	2	GLNX 003516 GLNX 003517	Rider Total
	Rider LANCO-6 with an Amendment	4	GLNX 003518 GLNX 003520 GLNX 003521 GLNX 024137	Rider Total
General Electric Railcar Services Corp. 33 West Monroe St. Chicago, Ill. 60603	Master Contract 5782-83 with Rider 21	1	NATX 075400	Rider Partial
	Rider 59(2)	3	NATX 075140 NATX 075141 NATX 075142	Rider Total
	Rider 76(1)	3	NATX 077055 NATX 077056 NATX 077057	Rider Partial
Pullman Leasing Company 200 So. Michigan Ave. Chicago, Ill. 60604	Master Contract (no number) with Rider 67, also referred to as MONSAG67A, or 67A	2	TLDX 120079 TLDX 120080	Rider Total

03200

10.1 A/2-11-
7/30/86

LEASING COMPANY	DESCRIPTION OF CONTRACT	NO OF CARS THIS CONTRACT	TANK CAR IDENTIFICATION NO.	TYPE OF ASSIGNMENT
Union Tank Car Company 111 West Jackson Blvd. Chicago, Ill. 60604	Master Contract (no number) with Amendment with Rider 164	5	UTLX 074671 UTLX 074683 UTLX 074687 UTLX 074691 UTLX 074692	Rider Partial
	Rider 171	9	UTLX 076368 UTLX 076374 UTLX 076391 UTLX 076394 UTLX 076445 UTLX 076527 UTLX 076547 UTLX 076603 UTLX 076634	Rider Partial
	Rider 197	8	UTLX 076388 UTLX 076393 UTLX 076412 UTLX 076429 UTLX 076452 UTLX 076470 UTLX 076471 UTLX 076472	Rider Total
	Rider 202	3	UTLX 086264 UTLX 086706 UTLX 086711	Rider Total
	Rider 210	5	UTLX 040875 UTLX 048607 UTLX 048622 UTLX 048777 UTLX 049302	Rider Partial
Evans Transportation Company Rail Car Division The East Tower Suite 900 2550 Golf Road Rolling Meadows, Ill. 60008	Master Contract (no number) with first Amendment with Rider entitled Schedule 5	4	USLX 021017 USLX 021084 USLX 021085 USLX 021086	Schedule 5 Partial
Tanco Transportation Corp. Wolk Lake Terminals, Inc. PO Box 565 Hammond, Ind. 43620	Master Contract (no number) with Rider D	4	TATX 020716 TATX 020717 TATX 020718 TATX 020719	Rider Total
	Total Cars This Exhibit	60		

*Lease Being Renewed on a Month-to-Month Basis

10.1 A/2-12-
7/30/86

EXHIBIT 10.3(c)

FORM OF ASSUMPTION AND ASSUMPTION AGREEMENT RELATING TO GCWDA

ASSIGNMENT OF
MONSANTO COMPANY PIPELINE
FACILITY AGREEMENT
DATED AS OF NOVEMBER 1, 1973

This Assignment of Monsanto Company Pipeline Facility Agreement dated as of November 1, 1973 (hereinafter called "Pipeline Agreement") is made and entered into by and between Gulf Coast Waste Disposal Authority (hereinafter called the "Authority"), a body politic and corporate and political subdivision of the State of Texas, created as a conservation and reclamation district (pursuant to Article XVI, Section 59 of the Texas Constitution) under Article 7621d-2, Vernon's Texas Civil Statutes, Monsanto Company, a Delaware corporation, duly authorized to do business in the State of Texas (hereinafter called "Monsanto"), and Sterling Chemicals, Inc., a Delaware corporation, duly authorized to do business in the State of Texas (hereinafter called "Sterling").

RECITALS

1. The Authority and Monsanto entered into the Pipeline Agreement to provide for the acquisition, construction, operation and maintenance of easements, pump stations, meters, a pipeline and other appurtenances and appliances thereto (hereinafter called "Facilities") for the purpose of transporting wasteborne liquid, gaseous, or solid

waste from a collection point on Monsanto's chemical processing and manufacturing plant located in the City of Texas City (hereinafter called "Plant") to the Authority's aqueous waste treatment facilities (herein called "Treatment Facilities").

2. Monsanto and Sterling are negotiating for the sale of the Plant to Sterling. Since ownership and operation of the Plant includes responsibility for proper handling of waterborne wastes, it is the intention of Monsanto and Sterling that, as of the date of closing of the sale transaction (hereinafter called "Closing", presently scheduled to be August 1, 1986), Sterling will assume and undertake all rights and obligations of Monsanto under the Pipeline Agreement, and that Monsanto be released therefrom.

ASSIGNMENT

NOW, THEREFORE, the parties hereto agree as follows:

1. Effective on the Closing, all rights and obligations of Monsanto under the Pipeline Agreement are transferred and assigned to Sterling, except liabilities accruing prior to Closing.

2. All rights and obligations so transferred and assigned are accepted, assumed and undertaken by Sterling.

3. The Authority recognizes and accepts Sterling, in place of Monsanto, with respect to all rights and obligations so transferred and assigned, and releases Monsanto from such rights and obligations, oth than liability which has accrued prior to Closing.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to Monsanto Company Pipeline Facility Agreement to be signed as of August 1, 1986 in multiple counterparts, each of which shall be considered an original for all purposes and effective as of the Closing.

GULF COAST WASTE DISPOSAL AUTHORITY

Attest: Veta Winick

Secretary

By: [signature]

Title: ____________________

Date: ____________________

MONSANTO COMPANY

Attest:

____

Assistant Secretary

By: ____________________

Title: ____________________

Date: ____________________

00?1.

STERLING CHEMICALS, INC.

Attest:

By:________________________

Title:________________________

____

Assistant Secretary

Date:________________________

89JLBSC

ASSIGNMENT OF
SUPPLEMENTAL FACILITIES AGREEMENT
DATED AS OF NOVEMBER 1, 1973
BY AND BETWEEN
GULF COAST WASTE DISPOSAL AUTHORITY
UNION CARBIDE CORPORATION
MONSANTO COMPANY

This Assignment of Supplemental Facilities Agreement is made and entered into by and between Gulf Coast Waste Disposal Authority (hereinafter called the "Authority"), a body politic and corporate and political subdivision of the State of Texas, created as a conservation and reclamation district (pursuant to Article XVI, Section 59 of the Texas Constitution) under Article 7621d-2, Vernon's Texas Civil Statutes, and the following corporations which are duly authorized to do business in the State of Texas, to-wit: Monsanto Company, a corporation (hereinafter called "Monsanto"), Union Carbide Corporation, a corporation (hereinafter called "UCC"), and Sterling Chemicals, Inc. a corporation (hereinafter called "Sterling").

RECITALS

1. The Authority UCC and Monsanto entered into a Supplemental Facilities Agreement as of November 1, 1973, and certain amendments thereto dated July 31, 1979 and December 12, 1979 (collectively the "Agreement") whereby

aqueous wastes generated by UCC and Monsanto would be received, treated and disposed of by the Authority.

2. Monsanto and Sterling are negotiating for the sale to Sterling of Monsanto's chemical processing and manufacturing plant located in the City of Texas City (hereinafter called "Plant"), which generates aqueous waste covered by the Agreement. It is the intention of Monsanto and Sterling that, as of the date of closing of the transaction (hereinafter called "Closing", presently scheduled to be August 1, 1986), Sterling will assume and undertake all rights and obligations of Monsanto under the Agreement (except as provided herein), and that Monsanto be released therefrom (except as provided herein).

ASSIGNMENT

NOW, THEREFORE, the parties hereto agree that, effective as of the Closing:

1. All rights and obligations of Monsanto under the Agreement are transferred and assigned to Sterling, with the following exceptions:

a. Monsanto shall retain liability with respect to the Agreement and all rights, obligations and liabilities with respect thereto arising from actions or events prior to Closing.

b. Monsanto shall be liable for all payments required to be made by it under the Agreement to the extent such payments are not actually made by Sterling in the amounts, manner and at the times required, except that Monsanto shall have no liability with respect to any payments required under Article VIII, other than payments for research, development and construction required for Permit compliance with respect to Monsanto's pre-Closing deposits.

2. All rights and obligations so transferred and assigned are accepted, assumed and undertaken by Sterling.

3. The Authority and UCC recognize and accept Sterling, in place of Monsanto, with respect to all rights and obligations so transferred and assigned.

4. The Authority and UCC release Monsanto from all rights and obligations under the Agreement, other than liability for actions or events occurring prior to Closing, except as provided in paragraph 1(b) above.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment of Supplemental Facilities Agreement to be signed as of August 1, 1986 in multiple counterparts, each of which

00718

shall be considered an original for all purposes and which shall be effective as of the Closing.

GULF COAST WASTE DISPOSAL AUTHORITY

Attest:

Veta Winick
Secretary

By: Frank M Fish

Title:

Date:

UNION CARBIDE CORPORATION

Attest:

Assistant Secretary

By:

Title:

Date:

MONSANTO COMPANY

Attest:

Assistant Secretary

By:

Title:

Date:

STERLING CHEMICALS, INC.

Attest:

Assistant Secretary

By:

Title:

Date:

86JLBSS

ASSIGNMENT AND CONSENT AGREEMENT

This Assignment and Consent Agreement is made and entered into as of August 1, 1986 by, between and among Monsanto Company (hereinafter celled "Monsanto"), Sterling Chemicals, Inc. (hereinafter called "Sterling"), and the Gulf Coast Waste Disposal Authority (hereinafter called "the Authority), a conservation and reclamation district, body politic and corporate and a political subdivision of the State of Texas, created and operating under the provisions of Chapter 409, Acts of the 61st Legislature of the State of Texas, Regular Session, 1969, as amended (originally codified as Article 7621d-2, Vernon's Texas Civil Statutes).

RECITALS

1. The Authority is empowered to contract to receive and treat or dispose of industrial solid waste from any person.

2. Monsanto owns and operates a chemical processing and manufacturing plant located in the City of Texas City, Texas (hereinafter called "Plant"), which generates industrial solid waste and requires access to a facility for the treatment or disposal of that waste.

3. The Authority and Monsanto entered into a Contract for the Financing, Acquisition, and Operation of an Industrial Solid Waste Disposal Facility as of the 15th day of March 1979 as clarified by Clarification Agreement dated April 12, 1979 (collectively the "Contract"), whereby the Authority agreed, among other things, and under the terms and conditions set forth in the Contract, to accept and treat or dispose of waste of Monsanto at a 200-acre facility permitted for that purpose (the "Site").

4. Monsanto and Sterling are engaged in negotiations for the sale to Sterling of the Plant and it is the intention of Monsanto and Sterling that, as of the date of closing of the purchase and sale transaction ("Closing"), Monsanto would transfer and assign to Sterling its interest under the Contract to the extent of 100,000 cubic yards of Monsanto's reserved disposal capacity at the Site.

AGREEMENT

For and in consideration of the mutual promises, covenants, obligations and benefits of this Assignment and Consent Agreement, Monsanto, Sterling, and the Authority agree as follows:

Article 1

1.1 Monsanto hereby transfers and assigns to Sterling, and its successors and assigns, upon Closing, its rights, obligations, title, and interest in and under the Contract, a copy of which is attached hereto and marked as Exhibit A, and in every clause, article or thing contained in it, to the extent of 100,000 cubic yards of Monsanto's reserved disposal capacity at the Site (the "Assigned Interest"), but there is not assigned hereby rights of Monsanto with respect to Article 3.2(b)(1) of the Contract.

1.2 Upon Closing, and to the extent of the Assigned Interest only, Sterling accepts (a) the rights of Monsanto under the Contract on and after the date of Closing; and (b) responsibility for the obligations of Monsanto under the Contract on and after the date of Closing.

1.3 All Monsanto obligations under the Contract for activities or events occurring prior to Closing and after the Closing with respect to the Contract as it relates other than to the Assigned Interest will remain the responsibility of Monsanto.

1.4 It is understood and agreed that any offer by Sterling of any excess reserved disposal capacity under Article 3.2(b)(3) of the Contract would first be made to Monsanto, which offer must be accepted, if at all, in writing by Monsanto within 30 days of the offer. Such offer will then be made to the Other Customers and to the Authority pursuant to the Contract. If both Sterling and Monsanto accept offers of excess waste disposal capacity from others, it shall be divided between them in proportions of 10/36ths and 26/36ths, respectively.

Article 2

2.1 The Authority acknowledges that it has received complete and sufficient notice of Monsanto's intent to assign the Contract to Sterling to the extent of the Assigned Interest and consents to and approves Monsanto's assignment on the terms and conditions set forth herein and in the Contract.

2.2 The Authority agrees not to exercise whatever rights it may have under the Contract to acquire the Assigned Interest from Monsanto.

2.3 The Authority agrees to accept Sterling as a Customer under the Contract to the extent of the Assigned Interest, and to release Monsanto from all rights and obligations transferred and assigned to Sterling.

2.4 Payments to the Authority pursuant to Article III of the Contract for accepting, treating or disposing of waste which would, in the absence of this Assignment, be charged to Monsanto, shall, after Closing, be charged as follows:

(a) Operating Charges shall be charged pursuant to the Contract to Sterling and Monsanto in a manner which reflects the volume and character of waste received from each during the billing period.

(b) Capacity Charges of the type described in the first sentence of Section 3.2(b)(2) shall be charged 6.94% (10/36 of 25%) to Sterling and 18.06% (26/36 of 25%) to Monsanto.

(c) A Management Fee as defined in the Contract (at this point equal to $18,334.00 per year) shall be paid by each of Sterling and Monsanto.

IN WITNESS WHEREOF the parties hereto have caused this Assignment and Consent Agreement to be signed in multiple counterparts, each of which will be considered an original for all purposes.

GULF COAST WASTE DISPOSAL AUTHORITY

Attest:
Veta Winick
Secretary

By: [illegible]

Title:

Date:

MONSANTO COMPANY

Attest:

Assistant Secretary

By:

Title:

Date:

STERLING CHEMICALS, INC.

Attest:

Assistant Secretary

By:

Title:

Date:

37JMSA

EXHIBIT 15

AGREEMENT TO SECURE PERFORMANCE

This Agreement to Secure Performance ("Agreement") is made and entered into as of August 1, 1986 by and between Monsanto Company ("Monsanto") and Sterling Chemicals, Inc. ("Sterling").

RECITALS

1. Monsanto and Sterling are negotiating for the sale to Sterling of Monsanto's chemical processing and manufacturing plant located in Texas City, Texas ("Plant") pursuant to an asset purchase agreement ("Definitive Agreement"). The closing ("Closing") of that purchase and sale is scheduled for August 1, 1986.

2. Pursuant to "Assignment of Supplemental Facilities Agreement Dated As Of November 1, 1973 By And Between Gulf Coast Waste Disposal Authority, Union Carbide Corporation, Monsanto Company" ("Assignment") delivered at Closing, Monsanto will assign to Sterling certain of its rights and obligations under the supplemental facilities agreement therein identified (the "Contract").

3. In connection with that Assignment, Monsanto has agreed to make certain payments under the Contract to Gulf

PO7?C

157

Coast Waste Disposal Authority ("Authority') should Sterling fail to do so.

4. Pursuant to "Assignment of Monsanto Company Pipeline Facility Agreement Dated as of November 1, 1973" to be delivered at Closing, Monsanto will assign to Sterling certain rights under the pipeline facility agreement therein identified ("Pipeline Agreement").

5. In consideration of Monsanto's agreement to make the said payments, Sterling has agreed to certain undertakings on behalf of Monsanto and to provide certain services to Monsanto in connection with the continuing needs of Monsanto with respect to transportation and treatment of certain wastewaters.

<u>AGREEMENT</u>

For and in consideration of the mutual promises, covenants, obligations and benefits of this Agreement, Monsanto and Sterling agree as follows:

Article 1

<u>Undertakings by Sterling</u>

1.1 Sterling agrees to comply fully with all its assigned obligations under the Contract.

1.2 Immediately following the acquisition of the Plant by Sterling, Sterling shall begin and thereafter continuously use its best efforts to negotiate and enter into a new contract with the Authority and Union Carbide Corporation ("UCC") for the disposal of aqueous waste from the Plant, including wastewater from Plant cleanup activities and from Monsanto's South 20 and North 80 sites, and which will have the effect of releasing Monsanto from its obligations under the Assignment to make certain payments to the Authority should Sterling fail to do so.

1.3 The parties recognize that one reason for the reluctance of the other parties to the Assignment to fully release Monsanto from further obligations under the Contract is Sterling's relative lack of financial credibility and lack of operating history as compared to those of Monsanto. Should Sterling be unable to make arrangements for such release of Monsanto upon its first attempt to do so, Sterling will periodically, at reasonable intervals throughout the term of this Agreement, make additional attempts to do so when it reasonably appears that in view of its operating history and continued financial stability such attempts would result in a full release of Monsanto.

13

1.4 Until such time as Monsanto is fully released from any further obligations under the Contract and Assignment, Sterling agrees that it will not, without the prior written consent of Monsanto, (a) assign, by operation of law or otherwise, the Contract, except pursuant to contractual and financing arrangements in connection with Sterling's purchase of the Plant, (b) amend the Contract, (c) dispose of any wastewater from any third party under the Contract from sources other than Plant activities.

1.5 As long as Sterling is transporting wastewater to the Authority through the existing pipeline, Sterling agrees to accept into the Plant facilities and wastewater pipeline to the Authority, and to transport through Plant facilities and said pipeline, wastewater from the North 80 site as well as wastewater which might be generated from any cleanup Monsanto is obligated to undertake pursuant to the terms of the Definitive Agreement. Subject to the limitations in the Contract, including certain load and flow restrictions and the conditions of the Authority's permits, the amount of said wastewater which Sterling is required to accept and transport is as described in Section 10.3 of the Definitive Agreement. In addition, subject to the above-mentioned limitations in the Contract, Sterling will arrange for acceptance by the Authority of wastewater from Monsanto's

South 20 site. The services described in this Article 1.5 shall be provided by Sterling in accordance with and subject to Exhibit "A" hereto.

1.6 Upon successful negotiation and execution by Sterling of a new contract or other arrangement with the Authority and UCC which fully releases Monsanto from all obligations under the Assignment and the Contract, only the provisions of Article 1.5 of this Agreement (and the provisions of Exhibit "A" related thereto) will continue in effect.

1.7 Until such time as Monsanto is fully released from all obligations under the Contract and Assignment with respect to any payment required pursuant to Article VIII of the Contract, Sterling will not approve any research, development, construction or capital expenditures relating to cleanup of pre-Closing deposits without the prior written approval of Monsanto.

Article 2

Defaults

2.1 In the event Monsanto becomes aware that Sterling is in default in the payment of any monies due the Authority under the Contract, the Assignment or under this Agreement, Monsanto shall notify Sterling of such default and send a

00770

13

copy of such notice to The Chase Manhattan Bank, N.A. ("Chase") addressed as indicated in Article 6 hereof. Within sixty (60) days after receiving such notice, Sterling shall cure such monetary default by payment to the Authority of all amounts past due and owing by Sterling. If such default is not cured within such sixty (60) day period, Monsanto shall send an additional notice of default to Chase, with a copy to Sterling. Upon receipt of said additional notice, Chase may elect, during an additional sixty (60) day period, to cure such monetary default by payment to the Authority of all amounts due and owing by Sterling under the Contract. If neither Chase nor Sterling cure such default, then, after the passage of one hundred eighty (180) days from the delivery of the initial notice to Sterling, Monsanto shall have the right to elect any or all of the remedies set forth in Article 3 below. Any delay or failure by Monsanto to notify Sterling or Chase of a default as described above, shall not constitute a waiver of any rights by Monsanto with respect to that or any other default.

2.2 In the event Sterling is in default under the Contract or under this Agreement for reasons other than the payment of monies owed to the Authority ("non-monetary default"), Monsanto shall so notify Sterling and Sterling shall have sixty (60) days after receipt of such notice in which to cure such non-monetary default. At the end of such sixty (60) day period, if Sterling has not cured such non-monetary default or, in the alternative, is not diligently and continuously prosecuting such cure, Monsanto may send a notice of such event to Chase, in which event Chase shall have sixty (60) days from the date of receipt of such notice to cure such non-monetary default or begin to cure such non-monetary default and diligently and continuously prosecute such cure. In the event a period of one hundred-eighty (180) days elapses after the first notice to Sterling and the non-monetary default remains uncured, unless Chase or Sterling is diligently and continuously prosecuting such cure and delivers to Monsanto reasonably sufficient evidence of its financial ability to continue to diligently prosecute such cure until completion, Monsanto may elect any or all of the remedies set forth in Article 3 below. Any delay or failure by Monsanto to notify Sterling or Chase of a non-monetary default as described above, shall not constitute a waiver of any rights by Monsanto with respect to that or any other default.

Article 3

Remedies

3.1 In the event Monsanto becomes entitled to exercise its remedies under this Agreement pursuant to the preceding Article 2, Monsanto may elect any or all of the following remedies:

A. Monsanto may exercise its irrevocable power of attorney hereinafter described;

B. Monsanto may require Sterling to immediately terminate the Contract as and when directed by Monsanto;

C. Monsanto may require Sterling to immediately reassign the Contract to Monsanto; or

D. Monsanto may pursue any other remedies it may have at law or in equity based on Sterling's breach of its obligations hereunder or under the Assignment, including without limitation the remedy of specific performance, to which Sterling hereby consents.

3.2 Monsanto is hereby granted an irrevocable power of attorney, which power of attorney shall be deemed coupled with an interest, to terminate the Contract by written notice to the Authority pursuant to the termination provisions of Article 14.04 of the Contract provided Monsanto

000337

becomes entitled to do so pursuant to Articles 2 or 4 hereof.

Article 4

Term

4.1 Monsanto may require Sterling to terminate the Contract (or Monsanto may do so by exercise of its power of attorney in Article 3.2) and to terminate this Agreement ten (10) years and one (1) day after the Closing if there has occurred during the initial ten year term of this Agreement three "Events" as defined in 4.4 below, otherwise this Agreement and the Contract shall remain in effect for an additional five (5) year period.

4.2 Similarly, Monsanto may require Sterling to terminate the Contract (or Monsanto may do so by exercise of its power of attorney in Article 3.2) and to terminate this Agreement fifteen (15) years and one (1) day after the Closing if there have occurred four "Events" during the first fifteen years of this Agreement, otherwise this Agreement and the Contract shall remain in effect for an additional five (5) year period.

4.3 If not sooner terminated, this Agreement shall terminate twenty (20) years and one (1) day after the Closing and Monsanto shall have the right to terminate the Contract or have it reassigned to Monsanto. The provisions of Article 1.5 and Exhibit "A" shall survive termination of this Agreement under this Article or Article 2.

4.4 As used in this Article 4, an "Event" shall have occurred when Sterling has defaulted hereunder, Sterling has not made payments to cure such default within ninety (90) days after receipt of written notice from Monsanto, and Monsanto has been required by the Authority to make such payment on Sterling's behalf and has done so.

Article 5

Authority's Purchase

5.1 Monsanto shall be entitled to any amounts resulting from the Authority's purchase of Monsanto's original interest in, or arising from acquisition or development of, the Authority's Land Farm.

Article 6

Notices

6.1 Any notice required or permitted to be given under this Agreement shall be in writing, and shall be deemed sufficiently given when delivered in person or transmitted by telegram, or when deposited in the United States mail (registered or certified) postage prepaid, to the addresses given below or sent by telex to the telex numbers set forth below provided that the telex shall reflect the answer back of the receiving party:

Monsanto Chemical Company
Attention: President
800 N. Lindbergh Blvd.
St. Louis, MO 63167
Telex No. 447282 answerback Monsanto STL

The Chase Manhattan Bank, N.A.
One Chase Manhattan Plaza
New York, New York 10018

Sterling Chemicals, Inc.
Attention: President
201 Bay Street South
Texas City, Texas 77590

With copies to:

Monsanto Chemical Company
Attention: General Counsel
800 N. Lindbergh Blvd.
St. Louis, MO 63167

John L. Bland
Bracewell & Patterson
2900 South Tower, Pennzoil Place
Houston, Texas 77002

6.2 During the term of this Agreement, the parties may change their address, telex number or answer back for receipt of notice and/or the person or position designated to receive such notice by giving notice of such change in the manner provided in this Article 6.

This Agreement has been executed in multiple counterparts as of August 1st, 1986 and shall be effective for all purposes as of the Closing.

STERLING CHEMICALS, INC.

By: J. Virgil Waggoner

Name: J. VIRGIL WAGGONER

Title: President

Date: August 1, 1986

MONSANTO COMPANY

By: Don R. Dawes

Name: DON R. DAWES

Title: Ass't Controller

Date: August 1, 1986

37JDHS/Z

003227

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 1st day of August, 1986 by J. VIRGIL WAGGONER of STERLING CHEMICALS, INC., a Delaware corporation, on behalf of said corporation.

Donna K. Pennington
Notary Public in and for the State of Texas

Name: DONNA K. PENNINGTON
My commission expires: 2-19-88

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 1st day of August, 1986 by Don R. Daves of MONSANTO COMPANY, a Delaware corporation, on behalf of said corporation.

Donna K. Pennington
Notary Public in and for the State of Texas

Name: DONNA K. PENNINGTON
My commission expires: 2-19-88

42HBSSD

GSF

EXHIBIT "A"
SERVICES

Sterling and Monsanto further agree as follows with respect to services to be provided pursuant to Article 1.5 of the Agreement:

1. Sterling will (a) transport the waste waters identified in Article 1.5 to the Authority through Plant facilities and the pipeline facilities and (b) allocate to Monsanto a portion of the capacity for waste water treatment allocated to Sterling at the Authority's "Treatment Facility" under the Contract, which includes the Land Farm for sludge disposal, sufficient to handle the waste water required to be transported by Sterling.

2. Sterling will provide the following services for the measurement and transportation of wastewater from the North 80 and, when and if necessary, of groundwater from Plant cleanups:

a. receive, measure volume with existing measuring device(s) and transport through the pipeline;

b. sample such waters and conduct analyses as necessary to allocate both pipeline and treatment

/S/

charges from Authority between Buyer and Monsanto; and

c. operate and maintain in good working order the facilities existing at Closing for the purposes set forth in b.

3. Monsanto will:

a. reimburse Sterling for any semi-annual facility charge, management fee and service charges, and any other fees related to wastewater (whether pursuant to the Contract, the Pipeline Agreement or otherwise) assessed upon Sterling by the Authority in proportion to the quantities and qualities of each of Sterling's and Monsanto's waste water transported to the Authority in the pipeline. This reimbursement will cease once Monsanto has entered into an Agreement with the Authority and makes payment directly to the Authority.

b. pay Sterling a fee in accordance with the cost of services provisions of Exhibit 17(b) to the Definitive Agreement for Sterling's transportation of North 80 Waters and Cleanup Waters through the Plant facilities and the Pipeline Facilities.

c. pay Sterling for the services described in Article 2 hereof in accordance with the cost of services provisions of Exhibit 17(b) to the Definitive Agreement.

4. The following conditions apply to the Monsanto aqueous waste covered by this Agreement:

a. Title to the Monsanto aqueous waste shall remain in Monsanto.

b. North 80 waters and cleanup waters must be compatible with the aqueous waste otherwise generated at the Plant by Sterling and transported through the Plant facilities and related pipeline facilities to the Authority; Monsanto aqueous waste must be in compliance with the Contract; and must be suitable for acceptance by the Authority under the permits in effect at the Authority's treatment facilities.

5. In the event that either party is rendered unable to carry out its obligations under this Exhibit A, by <u>force majeure</u> other than any obligation of Monsanto to make payment for services previously performed when due and payable hereunder, it is understood and agreed that, on such party giving notice and reasonably full particulars of such <u>force majeure</u> to the other party within a reasonable time after the occurrence of the cause relied upon, then the obligations of the party giving such notice, so far as they are affected by such <u>force majeure</u>, shall be suspended during the continuance of such <u>force majeure</u>, provided such party promptly and diligently pursued efforts to remedy the inability as soon as possible.

37JDHS/ZZ

EXHIBIT 24.2-2

DEEP WELL OPERATING CONDITIONS - 1985

This exhibit includes by reference all relevant matters set forth in the agreement and other exhibits thereto.

Whereas both parties agree that certain recorded historical data describing deep well operations for October 1985 may be inaccurate, operating data encompassing the remaining 11 months of 1985 are agreed to represent an acceptable basis for determining typical operating conditions as referred to under Article 24.2.

Deep well operating data for 1985 as reported to the Texas Water Commission and recorded in AN-5 unit operating records are presented below:

	WDW-91	WDW-196	COMBINED
Max. Injection Flow - GPM			1077
Max. Total Month. Flow - M Gal.			24.06
Total Flow Inj., 1985 - M Gal.			254.12
Max. Injection Pressure - psig	954 (1)	816	
Max. Anl. Pressure - psig	1147	1524	
Max. Monthly Avg. % TDS Injected			7.42
Max. % TDS Injected			7.96
Max. pH Range			5.2 - 9.2 (2)
Approximate Injection Interval - Ft. (Screened interval below sea level)			6700' - 7200'

(1) WDW-91 - If as of Closing WDW-91 flow capacity cannot achieve 646 gpm at 954 psig, so long as this flow restriction continues to exist, then whenever WDW-196 has an emergency unscheduled shutdown not exceeding two weeks duration, Buyer may operate WDW-91 up to but not above any condition permitted by the then applicable governmental UIC permit and such operation will not constitute a violation of paragraph 24.2-1, but this exception shall not be allowed more frequently than once per calendar quarter. As of such time that WDW-91 becomes capable of operating above 646 gpm

at 954 psig this exception is immediately terminated and B yer shall promptly notify Monsanto.

(2) pH - pH operating conditions for purposes of Article 24.2 are expanded from 1985 historical data to allow a maximum pH operating range of 4.5-9.2 on a continuous basis with the added provision that pH may be less than 4.5 for only up to 0.5% (of operating hours) of any calendar year provided that no single occurrence exceeds eight hours. These broadened pH limits shall be monitored by Sterling by Analysis of grab samples obtained from the injection pump feed tank (sample point 530T12) taken at least once per shift when either injection well is in service. The pH of the injected flow shall be assumed to be equal to the pH of the last pH analysis. Periods of pH excursions shall be based on the time either injection well is in service.

The 1985 Injected flow composition was comprised of aqueous process waste as typically generated by those processes and process technologies operating during that period plus stormwater runoff from curbed process areas from the following manufacturing areas:

Acrylonitrile (AN)
Acetone Cyanohydrin (ACY)
Lactic Acid
Lactronitrile (LN)
Tertiary-butylamine (TBA)

Buyer shall retain similar deep well operating data on operating conditions for each year of operation for a period of three years after each applicable year or such longer period as required by law. Monsanto shall have the right to inspect this data during normal business hours.

96JLBSI

EXHIBIT NO. 10.2