

THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE DEBTORS' FIFTH AMENDED JOINT PLAN OF REORGANIZATION (THE "AMENDED PLAN") ANNEXED HERETO. ACCEPTANCES OR REJECTIONS OF THE AMENDED PLAN MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT.

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

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

**THIS DISCLOSURE STATEMENT APPLIES TO:**

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

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

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Dated: October 15, 2007

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## EXHIBITS

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

## **CONTENTS OF SOLICITATION PACKAGES TO BE SENT TO STAKEHOLDERS**

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

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

- this Disclosure Statement;
- the Fifth Amended Joint Plan of Reorganization (Exhibit A to this Disclosure Statement and Exhibit E to the Monsanto Settlement Agreement);
- the Disclosure Statement Order (Exhibit B to this Disclosure Statement);
- the Reorganized Debtors' Projections (Exhibit C to this Disclosure Statement);
- the Reconciliation of EBITDAR to GAAP Net Income (Exhibit F to this Disclosure Statement);
- the Valuation Summary (Exhibit G to this Disclosure Statement);
- the Monsanto Settlement Agreement;
- the Pharmacia Indemnity Agreement (Exhibit N to the Monsanto Settlement Agreement); and
- the Registration Rights Agreement (Exhibit R to the Monsanto Settlement Agreement).

**Retiree Claimants will receive:**

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

**Tort Claimants will receive:**

- the Tort Notice.

The notices sent to parties in interest will indicate that any party that wishes to view the Disclosure Statement, the Amended Plan, the Retiree Settlement Agreement or the Monsanto Settlement Agreement, or any of the exhibits thereto may view them at: [www.solutia.com/reorganization](http://www.solutia.com/reorganization) or [www.trumbullgroup.com](http://www.trumbullgroup.com).

## I. INTRODUCTION

Solutia Inc. (“Solutia”), a Delaware corporation with its primary headquarters in St. Louis, Missouri, and certain of Solutia’s direct and indirect subsidiaries identified on the title page above (collectively, “Solutia,” the “Debtors” or the “Company”), as debtors and debtors in possession, submit this Disclosure Statement,<sup>1</sup> pursuant to section 1125 of title 11 of the United States Code (the “Bankruptcy Code”), to Holders of Claims and Equity Interests<sup>2</sup> in connection with (A) the solicitation of acceptances of the Debtors’ Fifth Amended Joint Plan of Reorganization, dated October [\_\_\_], 2007, as the same may be amended from time to time (the “Amended Plan”), which was filed by Solutia with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on October [\_\_\_], 2007, and (B) the Confirmation Hearing, which is scheduled for [DATE, MONTH], 2007, commencing at [TIME \_\_.m.], (Eastern Time). A copy of the Amended Plan is annexed to this Disclosure Statement as Exhibit A.

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

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

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

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

## **II.**

### **EXECUTIVE SUMMARY**

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

#### **A. GLOBAL SETTLEMENT**

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

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

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

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

