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RECORDATION NO. _____ Filed & Recorded

12/31 1986 10:00 AM

~~INTERSTATE COMMERCE COMMISSION~~

GUARANTY

Dated as of December 15, 1986

by

**UNION CARBIDE CORPORATION,
as Guarantor**

**Union Carbide Ethylene Oxide/Glycol Company
Lease Transaction
Dated as of December 15, 1986**

GUARANTY

THIS GUARANTY dated as of December 15, 1986 by UNION CARBIDE CORPORATION, a New York corporation, (the Guarantor).

W I T N E S S E T H :

WHEREAS, Chrysler Capital Corporation (the Lessor) has agreed to purchase the Leased Equipment (as hereinafter defined); and

WHEREAS, the Lessor and Union Carbide Ethylene Oxide/Glycol Company (the Lessee), a wholly-owned subsidiary of the Guarantor, have executed an Equipment Lease dated as of December 15, 1986 (the Lease) pursuant to which the Lessor has agreed to lease to the Lessee, and the Lessee has agreed to lease from the Lessor, the Leased Equipment described in Exhibit A to the Lease (the Leased Equipment), subject, however, to the satisfaction of the conditions set forth in Section 4 of the Lease.

NOW THEREFORE, in consideration of the agreement of the Lessor to purchase the Leased Equipment and lease the Leased Equipment to the Lessee, the Guarantor hereby agrees, covenants, represents and warrants for the benefit of the Lessor and its permitted assigns (the Guaranteed Parties and individually a Guaranteed Party) as follows:

SECTION 1. Definitions.

Except as otherwise defined herein, all terms used in this Guaranty shall have the meanings specified in the Lease.

SECTION 2. Representations and Warranties.

The Guarantor represents and warrants as follows:

(a) **Due Organization.** The Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New York and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

(b) **Due Authorization; Enforceability; No Violation.** This Guaranty has been duly authorized, executed and delivered by the

Guarantor and is a legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms. The execution and delivery by the Guarantor of this Guaranty are not, and the performance by the Guarantor of its obligations hereunder will not be, inconsistent with its charter or by-laws, do not and will not contravene any law, governmental rule or regulation, judgment or order applicable to it, and do not and will not contravene any provision of, or constitute a default or result in the creation of any Lien under, the material terms of any indenture, mortgage, contract or other instrument to which the Guarantor is a party or by which it is bound or require the consent or approval of any trustee or holders of indebtedness or obligations of the Guarantor, except such as have been duly obtained and copies of which have been delivered to Lessor's Counsel.

(c) **Government Approvals.** No consent or approval of, giving of notice to, registration with, or taking of any action in respect of or by, any Federal, state or local governmental authority or agency or other Person is required with respect to the execution, delivery and performance by the Guarantor of this Guaranty except such as have been duly obtained, given or accomplished and copies or other evidence of which have been delivered to Lessor's Counsel.

(d) **Litigation.** There is no action, suit or proceeding pending against or, to the knowledge of the Guarantor, threatened against or affecting the Guarantor before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the present or prospective ability of the Guarantor to perform its obligations under this Guaranty or which in any manner draws into question the validity or enforceability of this Guaranty.

(e) **Compliance.** The Guarantor is not in default under the material terms of any indenture, mortgage or loan agreement nor is the Guarantor in default under any other agreement or instrument of a material nature to which the Guarantor is now a party or by which it is bound; nor is the Guarantor in violation of the material terms of any law, order, injunction, decree, rule or regulation applicable to the Guarantor of any court or administrative body, which violation could materially and adversely affect the business, property or assets, operations or condition, financial or otherwise, of the Guarantor; and no event has occurred and is continuing which, under the provisions of any such indenture, mortgage or loan agreement, with the lapse of time or the giving of notice, or both, would constitute a default thereunder.

(f) **Taxes.** The Guarantor has filed or caused to be filed all Federal, state and local tax returns which are required to be filed and has paid or caused to be paid all taxes shown to be due and payable on such returns or (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) on any assessment received by the Guarantor, to the extent that such taxes have become due and payable.

(g) **Financial Statements.** The consolidated financial statements of the Guarantor and its subsidiaries, contained in the Guarantor's 10-K Annual Report, certified by KMG Main Hurdman, independent certified public accountants, fairly present the financial condition of the Guarantor and its subsidiaries as of the dates indicated therein and the consolidated results of operations and changes in financial position for the periods therein specified; and said consolidated financial statements have been prepared in accordance with generally accepted principles of accounting, applied on a consistent basis throughout the periods involved.

(h) **Prospectus.** The Lessor has been provided with a copy of the Prospectus dated December 12, 1986 relating to the Common Stock of the Guarantor. Such Prospectus accurately describes the general nature of the business and principal facilities of the Guarantor and its subsidiaries. As of its date, such Prospectus does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading.

(i) **Wholly-Owned Subsidiary.** The Guarantor is the owner of 100% of the shares of each and every issued and outstanding class of voting capital stock of the Lessee.

SECTION 3. Guaranty.

The Guarantor hereby unconditionally guarantees to each Guaranteed Party (i) the due and punctual payment by the Lessee of all payments of Basic Rent and Supplemental Rent (including, without limitation, Casualty Value), and (ii) the performance and discharge by the Lessee of all its obligations and liabilities under the Lease and the Tax Indemnity Agreement in accordance with their respective terms and conditions; and hereby agrees that if the Lessee shall fail to pay any such amount when and as the same shall be due and payable or to perform and discharge each such obligation or liability in accordance with the terms of the Lease and the Tax Indemnity Agreement, the Guarantor will forthwith pay an amount equal to any such amount or perform and discharge any such obligation or liability, as the case may be, and will pay any and all damages that

may be incurred or suffered in consequence thereof by any Guaranteed Party and all reasonable expenses, including reasonable attorney's fees, that may be incurred by any Guaranteed Party in enforcing such obligations and liabilities of the Lessee and in enforcing the covenants and agreements of the Guarantor herein.

SECTION 4. Unconditional Character of Obligations of Guarantor.

(a) The obligations of the Guarantor hereunder shall be absolute and unconditional, irrespective of the validity, regularity or enforceability of the Lease or the Tax Indemnity Agreement, or any provision thereof, or of the Purchase Documents, the absence of any action to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any Person or any action to enforce the same, any failure or delay in the enforcement of the obligations of the Lessee or the Lessor under the Lease, the Tax Indemnity Agreement or any of the Purchase Documents, or any other circumstances which might otherwise constitute a legal or equitable defense or discharge of a guarantor or surety, or any setoff, counterclaim, recoupment, limitation or termination, and irrespective of any other circumstances which might otherwise limit recourse against the Guarantor by any Guaranteed Party. **This Guaranty is a guaranty of payment and not of collection.** The Guarantor hereby waives diligence, demand for payment, filing of claims with any court, any proceeding to enforce any provision of the Lease, the Tax Indemnity Agreement or the Purchase Documents, any right to require a proceeding first against the Lessee, or to exhaust any security for the performance of the obligations of the Lessee, any protest, presentment, notice or demand whatsoever, and the Guarantor hereby covenants that this Guaranty shall not be discharged except by payment in full of all amounts due and to become due from the Lessee and the Guarantor pursuant to the Lease and this Guaranty and performance and discharge of all of the obligations and liabilities of the Lessee under the Lease, and only to the extent of any such payment, performance and discharge.

(b) Without limiting the generality of the foregoing paragraph of this Section, such obligations, and the rights of each Guaranteed Party to enforce the same by proceedings, whether by action at law, suit in equity or otherwise, shall not be in any way affected by (i) any insolvency, bankruptcy, liquidation, reorganization, readjustment, composition, dissolution, winding up or other proceeding involving or affecting the Lessee, the Guarantor or others, (ii) any change in the ownership of any of the capital stock of the Lessee, or (iii) any failure of any Guaranteed Party or any

other party, whether or not without fault on its part, to perform or comply with any of the terms of the Lease, the Tax Indemnity Agreement, the Purchase Documents or any other document.

(c) Except as herein otherwise provided, the Guarantor hereby expressly and irrevocably waives all claims of waiver, release, surrender, alteration or compromise and all defenses, set-offs, counterclaims, recoupments, reductions, limitations, impairments or terminations, whether arising hereunder or otherwise.

(d) Each Guaranteed Party may deal with the Lessee in the same manner and as freely as if this Guaranty did not exist and shall be entitled, among other things, to grant the Lessee such extension or extensions of time to perform any act or acts as may deem advisable by such Guaranteed Party, at any time and from time to time, without terminating, affecting or impairing the validity of this Guaranty or the obligations of the Guarantor hereunder.

(e) No compromise, alteration, amendment, modification, extension, renewal, release or other change of, or waiver, consent or other action, or delay or omission or failure to act, in respect of, any liability or obligation under or in respect of, or of any of the terms, covenants or conditions of, the Lease, the Tax Indemnity Agreement or the Purchase Documents or any other document referred to therein shall in any way alter or affect any of the obligations of the Guarantor hereunder.

(f) Each Guaranteed Party may proceed, either in its own name or in the name of the Guarantor, or otherwise, to protect and enforce any or all of its rights under this Guaranty by suit in equity, action at law or by other appropriate proceedings, whether for the specific performance of any covenants or agreements contained in the Lease, the Tax Indemnity Agreement, the Purchase Documents, this Guaranty or otherwise, or to take any action authorized or permitted under applicable law, and shall be entitled to require and enforce the performance of all acts and things required to be performed hereunder by the Guarantor. Each and every remedy of any Guaranteed Party shall, to the extent permitted by law, be cumulative and shall be in addition to any other remedy given hereunder, under the Lease, the Tax Indemnity Agreement or the Purchase Documents or now or hereafter existing at law or in equity.

(g) No waiver shall be deemed to have been made by any Guaranteed Party of any rights hereunder unless the same shall be in writing and signed on behalf of such Guaranteed Party and any such waiver shall be a waiver only with respect to the specific matter

involved and the Guaranteed Party so signing and shall in no way impair the rights of any such Guaranteed Party or the obligations of the Guarantor to any such Guaranteed Party in any other respect at any other time.

(h) At the option of any Guaranteed Party, the Guarantor may be joined in any action or proceeding commenced by such Guaranteed Party against the Lessee in connection with or based upon the Lease, the Tax Indemnity Agreement or the Purchase Documents or any provision thereof, and recovery may be had against the Guarantor in such action or proceeding or in any independent action or proceeding against the Guarantor, without any requirement that such Guaranteed Party first assert, prosecute or exhaust any remedy or claim against the Lessee.

SECTION 5. Certain Covenants of the Guarantor.

The Guarantor shall:

(a) Furnish to the Lessor:

(i) within 120 days after the close of each fiscal year of the Guarantor, an audited consolidated balance sheet and consolidated statements of retained earnings and changes in financial position of the Guarantor and its subsidiaries at and as of the end of such fiscal year, together with an audited consolidated statement of income of the Guarantor and its subsidiaries for such fiscal year, **provided, however,** that the Guarantor may satisfy the requirement set forth in this paragraph (i) by furnishing to the Lessor a copy of the Guarantor's Annual Report on Form 10-K in respect of such fiscal year within 30 days of filing with the Securities and Exchange Commission;

(ii) within 45 days after the close of each of the first three quarters of each fiscal year of the Guarantor, an unaudited consolidated balance sheet and consolidated statements of retained earnings and changes in financial position of the Guarantor and its subsidiaries at and as of the end of such quarter, together with an unaudited consolidated statement of income of the Guarantor and its subsidiaries for such quarter, **provided, however,** that the Guarantor may satisfy the requirement set forth in this paragraph (ii) by furnishing to the Lessor a copy of the Guarantor's Quarterly Report on Form 10-Q in respect of

such quarterly period within 30 days of filing with the Securities and Exchange Commission;

(iii) within 120 days after the close of each fiscal year of the Guarantor, a certificate of an authorized officer of the Guarantor stating that he has reviewed the activities of the Guarantor and that, to the best of his knowledge, there exists no Default or Event of Default, or if such a Default or Event of Default exists, specifying the nature and period of existence thereof and the action the Guarantor has taken or proposes to take with respect thereto;

(iv) within 30 days of filing with the Securities and Exchange Commission, copies of the Guarantor's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K;

(v) simultaneously with the mailing thereof to its shareholders, copies of all such financial statements, reports, notices or proxy statements as the Guarantor shall mail to its shareholders; and

(vi) from time to time, such other public financial information as the Lessor may reasonably request.

(b) Not consolidate with any other corporation or merge into any other corporation or sell or otherwise transfer its property and assets as, or substantially as, an entirety to any other corporation (any such corporation resulting from such consolidation or into which the Guarantor shall have been merged or to which such sale or other transfer shall have been made being herein called the **Successor Corporation**), unless:

(1) the Successor Corporation shall expressly assume the due and punctual performance of all the obligations and liabilities of the Guarantor hereunder and shall consent and agree in writing (by an instrument in form and substance satisfactory to each Guaranteed Party) with each Guaranteed Party to assume and perform all of the obligations and liabilities of the Guarantor hereunder; **provided, however,** that no such sale or other transfer shall release the seller or transferor corporation from any of its obligations or liabilities under this Guaranty unless expressly agreed to in writing by every Guaranteed Party; and

SECTION 9. Applicable Law.

This Guaranty has been negotiated and delivered in the State of New York and shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 10. Section Headings.

The headings of the sections and paragraphs of this Guaranty have been inserted for convenience of reference only and shall in no way restrict or otherwise modify any of the terms or provisions hereof.

SECTION 11. Severability.

Any provision of this Guaranty which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the Guarantor hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

SECTION 12. Further Assurances.

The Guarantor hereby agrees to execute and deliver all such instruments and take all such action as any Guaranteed Party from time to time may reasonably request in order fully to effectuate the purposes of this Guaranty.

SECTION 13. Notices.

All communications, notices, consents and waivers provided for herein or given in connection herewith shall be made or given in the manner provided in the Lease. Notices to the Guarantor shall be sent in the same manner as set forth in the Lease and shall be addressed as follows: 39 Old Ridgebury Road, Danbury, Connecticut 06817, Attention: Treasurer.

(2) the Successor Corporation shall not immediately thereafter be in breach of any provision of this Guaranty.

SECTION 6. Subrogation.

Notwithstanding any payment or payments made or obligations performed by the Guarantor by reason of this Guaranty, the Guarantor agrees that the Guarantor shall not be entitled to be subrogated to any rights of any Guaranteed Party against the Lessee until all amounts payable by the Lessee all obligations to be performed or observed by the Lessee under or pursuant to the Lease, the Tax Indemnity Agreement and the Purchase Documents shall have been fully paid, performed or observed (it being understood that the Guarantor shall be entitled to such subrogation rights at such time as such amounts and such obligations shall have been fully paid, performed or observed). If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all payments of Basic Rent and Supplemental Rent (including, without limitation, Casualty Value), shall not have been paid and performed in full, such amount shall be held in trust for the benefit of the Guaranteed Parties and shall be paid to the Guaranteed Parties for credit and application against such obligations of the Lessee.

SECTION 7. Amendments.

The terms of this Guaranty shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Guarantor and the Lessor.

SECTION 8. Successors and Assigns.

This Guaranty shall be binding upon the Guarantor and inure to the benefit of the Lessor and its successors and permitted assigns. This Guaranty shall be assignable by the Lessor as permitted pursuant to the terms of the Lease; however, the Guarantor shall be under no obligation to any such assignee of the Lessor except upon written notice of such assignment from the Lessor. The Guarantor agrees that, so long as the Lease has not been terminated, or assigned in accordance with the terms thereof, all payments under this Guaranty shall be made directly to the Lessor at the Lessor's payment address set forth in Section 3 of the Lease or to such other payment address or to such other Person as the Lessor shall advise the Guarantor.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed by its officer thereunto duly authorized as of the day and year first above written.

UNION CARBIDE CORPORATION,
as Guarantor

By JAClerico CM
Title: V. P. & Treasurer

Date as of 12/15/86