

# **EXHIBIT E**

## LIQUIDATION ANALYSIS

### Introduction

Pursuant to section 1129(a)(7) of the Bankruptcy Code (often called the "Best Interests Test"), Holders of Allowed Claims and Allowed Equity Interests must either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Plan's assumed Effective Date, that is not less than the value such non-accepting Holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code ("chapter 7").

In determining whether the Best Interests Test has been met, the first step is to determine the dollar amount that would be generated from a hypothetical liquidation of the Debtors' assets under chapter 7. The amount of Cash available would be the sum of the proceeds from the disposition of the Debtors' assets and the Cash held by the Debtors at the commencement of their chapter 7 cases. Prior to delivering any proceeds to Holders of General Unsecured Claims, available Cash and asset liquidation proceeds would first be applied to Secured Claims and amounts necessary to satisfy any chapter 7 Administrative Expense Claims (including any incremental Administrative Expense Claims that may result from the termination of the Debtors' business and the liquidation of the Debtors' assets) and other Priority Claims under section 507 of the Bankruptcy Code as required under section 726 of the Bankruptcy Code. Any remaining Cash and asset liquidation proceeds after satisfaction of Secured Claims, Administrative Expense Claims and Priority Claims, to the extent they exist, would be available for distribution to Holders of General Unsecured Claims and Equity Interest Holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

The liquidation analysis ("Liquidation Analysis") below reflects the estimated Cash proceeds, net of liquidation-related costs, that would be available to the Debtors' creditors if the Debtors were to be liquidated pursuant to a chapter 7 liquidation. **UNDERLYING THE LIQUIDATION ANALYSIS ARE NUMEROUS ESTIMATES AND ASSUMPTIONS REGARDING LIQUIDATION PROCEEDS THAT, ALTHOUGH DEVELOPED AND CONSIDERED REASONABLE BY THE DEBTORS' MANAGEMENT AND ITS PROFESSIONAL ADVISORS, ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, REGULATORY AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS AND THEIR MANAGEMENT. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD MATERIALLY DIFFER FROM THE RESULTS SET FORTH HEREIN.**

### Significant Assumptions

The Liquidation Analysis is based on Solutia's balance sheet as of May 31, 2007, and assumes that the Debtors would commence chapter 7 liquidation on September 30, 2007. The Liquidation Analysis assumes that the actual May 31, 2007 balance sheet is a proxy for the September 30, 2007 balance sheet, unless otherwise stated. The liquidation values of the Debtors'

inventory, net fixed assets and net intangible assets are based on an appraisal prepared by an independent appraiser, American Appraisal Associates (“AAA”), and dated July 6, 2007 (the “Appraisal”). The Appraisal assumes a Liquidation-in-Place (“LIP”) as of March 31, 2007.

An estimate of value premised on a LIP represents the estimated amount a property should realize if sold on a negotiated basis, given (i) a reasonable amount of time in which to find a buyer; (ii) sale of the property intact, as a complete, installed assembly of the property in an “as-is, where-is” condition; and (iii) the property would not be operating or producing a product at the time of its sale, but would be capable of operating and producing a product. An estimate of value based on a LIP does not represent the amount that might be realized from dismantlement and piecemeal disposition of the property in the open market, its auction value, its sale under forced distress conditions, or its sale for an alternative use of the property.

LIP for a process facility measures the amount that would be realized if the operations were temporarily discontinued and the plant was marketed and sold as an intact unit. It considers the present worth of returns a willing buyer under circumstances of a liquidation would expect on an investment, net of holding costs. Holding costs including insurance, taxes, utility, security and maintenance are assumed to be incurred until a buyer could be found.

The Liquidation Analysis also assumes that the liquidation of the Debtors would commence under the direction of a court-appointed chapter 7 trustee and continue for a maximum of twelve months, during which time all of the Debtors’ major assets would be sold and the cash proceeds, net of liquidation-related costs, would be distributed to satisfy Claims. The twelve-month liquidation period would allow for an expedited sale process and the documentation and closing of the below described sale transactions.

#### Estimate of Net Proceeds

Estimates were made of the Cash proceeds that might be received from the liquidation of the Debtors’ assets. In this Liquidation Analysis, each plant is assumed to be shut down and marketed for sale separately.

AAA’s appraisal includes the value of Flexsys, L.P.’s (“Flexsys”) inventory, net fixed assets and net intangible assets. The Debtors completed the purchase of Akzo Nobel N.V.’s 50% ownership interest in Flexsys on May 2, 2007.

#### Estimate of Costs

The proceeds of these sale transactions are netted against certain costs associated with potential plant shutdowns, including (i) the estimated holding costs for each plant over the relevant period, (ii) the estimated costs of shutting down the plants, and (iii) the costs associated with holding and maintaining each plant in operating condition until sold.

The Debtors’ liquidation costs under chapter 7 would also include fees payable to a chapter 7 trustee as well as those costs that might be payable to attorneys, financial advisors, appraisers, accountants, and other professionals in connection with the chapter 7 liquidation.

#### Distribution of Net Proceeds Under Absolute Priority

The estimated net proceeds would be conveyed to the Debtors' creditors. Under the absolute priority rule, no junior creditor would receive any distribution until all senior creditors are paid in full, and no equity holder would receive any distribution until all creditors are paid in full.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7, and (iii) potential increases in Claims which may arise in a liquidation, the Debtors have determined, as summarized in the charts below and Section IX of the Disclosure Statement, that Debtors' proposed Plan will provide creditors with a recovery that is not less than creditors would receive pursuant to a liquidation of the Debtors' assets under chapter 7 of the Bankruptcy Code.

The following Liquidation Analysis should be reviewed with the accompanying notes.

**Solutia Inc.**  
**Hypothetical Liquidation Analysis**

(\$ in millions)

<u>Asset Analysis</u>	Note	Book Value at May 31, 2007 (Note A)	Hypothetical Percentage Recovery	Estimated Liquidation Value
Cash & Equivalents	B	\$156.0	100.0%	\$156.0
Accounts Receivable	C	473.0	83.9%	396.6
Inventory	D	441.7	72.3%	319.4
Net Fixed Assets	E	923.0	73.7%	680.0
Intangible Assets, Net	F	151.5	106.4%	161.2
Other Current Assets	G	232.6	47.8%	111.2
Other Non-current Assets	H	96.9	26.0%	25.2
<b>Total Assets Available for Distribution</b>		<b>\$2,474.7</b>		<b>\$1,849.6</b>
<b>Less: Liquidation Fees and Expenses</b>				
Chapter 7 Trustee Fees & Expenses	I			(25.4)
Chapter 7 Professional Fees & Expenses	J			(12.0)
Employee Expenses and Other Operating Costs	K			(119.1)
				(156.5)

Net Estimated Liquidation Proceeds Available for Distribution

\$1,693.1

Present Value of Liquidation Proceeds Available for Distribution <sup>(1)</sup>

\$1,607.0

(1) Assumes a recovery period of approx. 12 months which has been discounted to the present at a 5.36% discount rate based on the 3-month LIBOR at 7/9/2007

## *NOTES TO LIQUIDATION ANALYSIS*

### *Note A - Book Values as of May 31, 2007*

Unless otherwise stated, the book values used in the Liquidation Analysis are book values as of May 31, 2007. These actual balances are used as a reference point for the analysis and are assumed to be representative of the Debtors' assets as of the assumed Effective Date.

### *Note B - Cash and Cash Equivalents*

Cash and Cash equivalents are projected at September 30, 2007 per management estimates. Cash and Cash equivalents consist of all Cash in banks or operating accounts and are assumed to be fully recoverable.

### *Note C - Accounts Receivable*

Estimated proceeds realizable from short-term and long-term accounts receivable under a LIP are based on management's assessment of the ability of the Debtors to collect on their accounts, taking into consideration the credit quality and aging of the accounts. The hypothetical percentage recovery of 83.9% of book value is an estimate of the proceeds that would be available under a LIP. This estimate takes into account the inevitable difficulty in collecting receivables and any concessions that might be required to facilitate the collection of certain accounts receivable.

### *Note D - Inventory*

Book value and estimated liquidation value of inventory as of March 31, 2007. Estimated proceeds realizable from inventory under a LIP are based on AAA's opinion of the value of the Debtors' inventory assets in liquidation. The hypothetical percentage recovery of 72.3% of book value is an estimate of the proceeds that would be available under a LIP. This estimate assumes spoilage as well as diminished market demand for product volumes and a general discount for liquidation.

### *Note E - Net Fixed Assets*

Book value and estimated liquidation value of net fixed assets as of March 31, 2007. Net fixed assets include land, buildings, manufacturing equipment, improvements, furniture, and other fixed assets, less accumulated depreciation. The hypothetical percentage recovery rate across all fixed asset classes was determined to be 73.7% of net book value. The estimated liquidation value is net of holding costs and initial shutdown costs.

### *Note F - Net Intangible Assets*

Net intangible assets are estimated at liquidation value by AAA.

***Note G – Other Current Assets***

Other current assets include miscellaneous receivables, prepaid expenses and deferred taxes. Miscellaneous receivables and prepaid expenses are assumed to be collected at a rate of 50.0% per management estimates. Deferred taxes are estimated to have no liquidation value.

***Note H – Other Non-current Assets***

Other non-current assets are comprised primarily of investments in equity affiliates, long-term equity investments and miscellaneous deferred charges. Investments in equity affiliates are assumed to be collected at 100.0% and long-term equity investments and miscellaneous charges are estimated to be collected at a rate of 25.0%.

***Note I - Trustee Fees & Expenses***

Compensation for the chapter 7 trustee will be limited to fee guidelines in section 326(a) of the Bankruptcy Code. The Debtors' management has assumed trustee fees of 1.5% of the gross proceeds (excluding cash) in the liquidation, though such fees could be as high as 3.0% pursuant to section 326(a) of the Bankruptcy Code.

***Note J - Other Professional Fees & Expenses***

Compensation for the chapter 7 trustee's counsel and other legal, financial and professional services during the chapter 7 proceedings is estimated to be approximately \$1 million per month beginning at the commencement of the liquidation proceedings. The total estimate of these fees assumes a twelve-month liquidation process.

***Note K - Employee Expenses / Wind-down Costs***

The Debtors assume the chapter 7 liquidation process will take twelve months to complete. Corporate payroll and operating costs during liquidation are based on the assumption that certain functions and facilities would be required during the liquidation process. Costs would include salaries of certain financial and operating employees, severance and bonus pay that would be incurred during a chapter 7 liquidation. Operating expenses for a twelve-month period are assumed to be \$119.1 million.

**Distribution Analysis Summary**  
*(\$ in millions)*

	Estimated Allowable Claims	Estimated Liquidation Value	Note
<b>Present Value of Liquidation Proceeds Available for Allocation</b>		<b>\$1,607.0</b>	
<b>Less Superpriority Administrative Claims:</b>			
Debtor-in-Possession Facility	\$924.0		L
<b>Total Superpriority Administrative Claims</b>		<b>\$924.0</b>	
Hypothetical recovery to Superpriority Administrative Claims		100.0%	
<b>Gross Proceeds Available after Superpriority Administrative Claims</b>		<b>\$683.0</b>	
<b>Less Secured Claims:</b>			
Flexsys Debt	\$150.0		M
Senior Secured Notes <sup>(1)</sup>	228.2		M
Maryville Lease Facility	20.0		M
Euro Loan	213.0		M
Other Secured Claims	15.4		M
<b>Total Secured Claims</b>		<b>\$626.6</b>	
Hypothetical recovery to Secured Claims		100.0%	
<b>Proceeds Available After Secured Claims</b>		<b>\$56.4</b>	
<b>Less Administrative and Priority Claims</b>			
Chapter 11 Post-Petition Accounts Payable and Accrued Liabilities	\$311.3		N
Chapter 11 Administrative and Priority Expense Claims	37.0		N
Chapter 11 Priority Tax Claims	7.1		N
Site A Environmental Remediation	82.0		N
<b>Total Administrative and Priority Claims</b>		<b>\$437.4</b>	
Hypothetical recovery to Administrative and Priority Claims		12.9%	
<b>Proceeds Available After Administrative and Priority Claims:</b>		<b>\$0.0</b>	
<b>Less Total Unsecured Claims:</b>			
Monsanto Claims <sup>(2)</sup>	\$215.9		O
Pension - PBGC	445.0		O
OPEB	464.0		O
Site B and C Environmental Remediation	379.0		O
2027 Debentures	303.7		O
2037 Debentures	151.7		O
Other Unsecured Claims	389.9		O
		<b>\$2,349.2</b>	
Hypothetical recovery to Unsecured Claims		0.0%	
<b>Net Estimated Deficiency to Unsecured Claims</b>		<b>(\$2,730.2)</b>	

(1) A portion of the unamortized discount of the 11.25% Senior Secured Notes may be subject to litigation

(2) Based on amounts that Monsanto has spent during these Chapter 11 Cases for environmental remediation at the Shared Sites and the management and defense of Tort Claims. Monsanto asserts Claims against Solutia in the aggregate amount of at least \$824.5 million.

## NOTES TO DISTRIBUTION SUMMARY

### *Note L - Superpriority Administrative Claims*

Claims reflect \$924 million of borrowings; the estimated DIP facility balance as of September 30, 2007. DIP Facility Claims are assumed to be recovered in full before all other Claims of the Debtors.

### *Note M - General Secured Claims*

Secured Claims include \$150 million of Flexsys term loan and revolving credit facility debt, \$228.2 million of 11.25% Senior Secured Notes due 2009 (including accrued interest), €160.0 million of Euro Loan, \$20 million claim related to the Maryville Lease Facility and \$15.4 million of other secured claims. A portion of the unamortized discount of the 11.25% Senior Secured Notes may be subject to litigation. The Euro Loan is converted at 1.33 USD / EUR.

### *Note N - Administrative & Priority Claims*

Claims of \$311.3 million in post-petition payables include post-petition accounts payable of \$249.7 million and post-petition wages and benefits of \$61.6 million at May 31, 2007 per management estimates. Claims also reflect \$51.2 million of Administrative Expense and Priority Claims including chapter 11 professional fees and \$7.1 million in Priority Tax Claims. Additionally, Claims include \$82.0 million of estimated environmental cleanup costs. Solutia management estimates that it will incur remediation costs for Category A Sites in the aggregate amount of \$82 million over the next five years. Estimated remediation costs are undiscounted and unadjusted for inflation.

### *Note O - General Unsecured Claims*

General Unsecured Claims are estimated to be \$2,574.3 million. For purposes of the Liquidation Analysis, management has assumed that General Unsecured Claims will consist of Monsanto Claims, pension Claims, OPEB Claims, estimated Site B and C environmental remediation, \$303.7 million of 6.72% Debentures, \$151.7 million of 6.72% Debentures and other General Unsecured Claims. Other General Unsecured Claims include approximately \$27.5 million of potential Tort claims based on the midpoint of an estimated range of potential outcomes (\$15 million - \$40 million). The Liquidation Analysis ascribes no amount and value to subsidiary, P/PPD, convenience and D&O. Such additional claims may be substantial.

The \$215.9 million that Monsanto has spent during these Chapter 11 Cases for environmental remediation at the Shared Sites and for the management and defense of Tort Claims is treated as a General Unsecured Claim for purposes of this analysis. Monsanto may assert that this Claim

should be treated as administrative claim. Monsanto asserts Claims against Solutia in the aggregate amount of at least \$824.5 million.

The estimated unfunded pension liability of \$445.0 million is estimated on a termination basis claim of the PBGC. The estimated OPEB obligation of \$464.0 million incorporates active changes effective September 1, 2004, implementation of Forsberg Settlement and retention of Medicare Part D subsidy. The estimated Site B environmental clean up costs of \$150.0 million are based on Solutia management estimates of Category B remediation costs. Solutia management projects that aggregate remediation costs at Category C Sites will be approximately \$104 million through 2011. Although the EPA has not yet determined final remedies for these sites, Solutia estimates that remediation costs at Sauget and Anniston will increase to approximately \$25 million per year from 2012 through 2016. After 2016, these costs should decrease as remediation is replaced with the costs of operating treatment systems and maintenance activities. Estimated remediation costs are undiscounted and unadjusted for inflation.