

ASSIGNMENT AND SECURITY AGREEMENT

Between

DOW CORNING CORPORATION

AND

THE DEPOSITORY TRUST

PURSUANT TO THE
AMENDED JOINT PLAN OF REORGANIZATION OF
DOW CORNING CORPORATION,
DATED FEBRUARY 4, 1999

REORGANIZED DEBTOR IN CHAPTER 11 CASE NO. 95-20512
IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
NORTHERN DIVISION

EFFECTIVE DATE: JUNE 1, 2004

ASSIGNMENT AND SECURITY AGREEMENT

This Assignment and Security Agreement is among Dow Corning Corporation, a Michigan corporation, as reorganized pursuant to the confirmed Amended Joint Plan of Reorganization in case number 95-20512 in the United States Bankruptcy Court for the Eastern District of Michigan, Northern Division (“Dow Corning”) and the Depository Trust (the “Trust”) (collectively, the “Parties”), pursuant to the Amended Joint Plan of Reorganization of Dow Corning dated as of February 4, 1999, as further amended, modified, or supplemented from time to time (the “Joint Plan of Reorganization”) and confirmed by order (the “Confirmation Order”) of the United States Bankruptcy Court for the Eastern District of Michigan (the “Bankruptcy Court”), dated November 30, 1999.

RECITALS

WHEREAS, on May 15, 1995, Dow Corning filed a petition for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court.

WHEREAS the Confirmation Order and the Joint Plan of Reorganization provide for establishment of the Facility.

WHEREAS Dow Corning is a named insured or an additional insured in the insurance policies scheduled in Exhibit A to the Funding Payment Agreement and the Shared Insurance Assets as defined in the Insurance Allocation Agreement (the “Applicable Policies”), Dow Corning has not assigned to any other person any rights under those insurance policies except as provided in the Insurance Allocation Agreement, including but not limited to the rights to the Insurance Proceeds (as defined in the Funding Payment Agreement), and Dow Corning is not aware of any insurance policy other than the Applicable Policies that potentially provide Dow Corning products liability coverage for implant claims.

WHEREAS, as set forth in greater detail in the Insurance Allocation Agreement, which shall control, Dow Corning is entitled to payment of seventy-five percent (75%) of the Shared Insurance Assets, as defined therein; the products limits presently available to both Dow Corning and Dow Chemical under the Unsettled Shared Insurance issued by the insurers listed on Exhibit 1(C) attached to the Insurance Allocation Agreement; and any settlement with ACE Insurance.

WHEREAS, as set forth in greater detail in the Insurance Allocation Agreement, which shall control, Dow Corning is entitled to payment of up to one-hundred percent (100%), less any amounts due HMR, of: the settlement funds (and accumulated interest) created by the XL settlements and the JU settlement; the settlement funds (and accumulated interest) created as the result of Dow Corning settlements of primary coverage with Hartford and TIG and of coverage provided by American Guaranty; and, on a first-come basis, up to one-hundred percent (100%) of \$144,747,872 in Coverage in Place Discounted Limits, which remain in place for Dow Corning for products claims other than certain breast implant claims as defined in the Coverage in Place Settlements and for Dow Chemical for any products claims subject to the policies and Coverage in Place Settlements; policies

issued by insurers, including insurers in the London Market which participated in Buyout Settlements, to the extent that Dow Corning has released rights to assert certain implant claims or other products claims and Dow Chemical has not; coverage provided by domestic and foreign insurers which are or become the subject of insolvency proceedings; and proceeds of Dow Corning's pre-bankruptcy settlements with CIGNA, Devonshire Underwriters Limited and Dorintal.

WHEREAS the Confirmation Order, Joint Plan of Reorganization and Funding Payment Agreement contemplate that the rights of Dow Corning to Insurance Proceeds be immediately and irrevocably assigned for the benefit of the Trust, even if such Insurance Proceeds have not been received on the Effective Date. To accomplish this, Dow Corning has agreed to make assignments of its rights to receive all such proceeds (but excluding any amount allocated to Dow Chemical under the Insurance Allocation Agreement or to HMR under the HMR Agreement) to the Trust and to grant to the Trust a security interest therein, subject to the remaining terms of this Assignment and Security Agreement.

WHEREAS, pursuant to the Settlement Facility Agreement, the Insurance Proceeds shall be received and held by the Trust on behalf of the Facility in accordance with the terms of the Settlement Facility Agreement.

NOW THEREFORE, in accordance with the Settlement Facility Agreement and the Insurance Allocation Agreement, and in consideration of the promises and of the mutual covenants set forth herein, the Parties hereby agree as follows:

DEFINITIONS

1. Incorporation of Definitions: All capitalized terms used in this Assignment and Security Agreement and not otherwise defined herein shall have the meanings assigned to them in the Joint Plan of Reorganization, the Disclosure Statement, the Settlement Facility Agreement, the Depository Trust Agreement, the Funding Payment Agreement, the Insurance Allocation Agreement, the Litigation Facility Agreement, and the Bankruptcy Code, in that order, which definitions are incorporated herein by this reference for all purposes.
2. "Insurance Proceeds": For purposes of this Assignment and Security Agreement, "Insurance Proceeds" shall have the meaning assigned to the term "Insurance Proceeds" in the Funding Payment Agreement.

ASSIGNMENT OF INSURANCE PROCEEDS

1. FOR VALUE RECEIVED and subject to the terms and conditions below, Dow Corning, on behalf of itself and its present wholly-owned subsidiaries, hereby irrevocably assigns and transfers to the Trust all rights, whether now existing or hereafter arising, liquidated or unliquidated, disputed or undisputed, fixed or contingent, to receive payment of Insurance Proceeds.

2. Rights and funds not expressly specified in the above definition of “Insurance Proceeds” are not included in the assignment and do not pass by virtue of this Agreement. Nothing in this Agreement shall be construed to assign any cause of action or any other right under the Policies. Dow Corning’s assignment of the Insurance Proceeds does not affect the rights or obligations of Dow Corning or Dow Chemical under any insurance policy or the Insurance Allocation Agreement. Dow Corning and Dow Chemical, respectively, continue to have exclusive ownership of the insurance policies and full and exclusive authority and discretion to control the pursuit and recovery of the Insurance Proceeds and other amounts. Nothing in this Assignment and Security Agreement shall be construed to affect in any way the rights of Dow Chemical, including its rights under any insurance policy or to proceeds of insurance policies. Amounts advanced or payable to Dow Chemical under the Insurance Allocation Agreement shall not constitute Insurance Proceeds.
3. Dow Corning will take reasonable steps and apply commercially reasonable efforts to ensure that, as and to the extent required by the Funding Payment Agreement, all Insurance Proceeds assigned hereunder are paid by insurers or other third parties directly to the Trust rather than first to Dow Corning.

SECURITY AGREEMENT

1. To secure the payment to the Trust of the Insurance Proceeds, as and to the extent required by the Funding Payment Agreement, Dow Corning hereby grants to the Trust to the maximum extent possible under applicable law a continuing security interest in the Insurance Proceeds. Dow Corning will use its best efforts to obtain as part of the confirmation order relating to the Joint Plan of Reorganization an acknowledgment and confirmation of this security interest.
2. Dow Corning shall execute and deliver to the Trust concurrently with the execution of this Assignment and Security Agreement, and at any time or times hereafter at the request of the Trust, all UCC-1 financing statements and renewal UCC-1 financing statements that the Trust may request, in a form satisfactory to the Trust to perfect and maintain to the maximum extent possible under applicable law the security interest granted herein by Dow Corning to the Trust and in order to consummate fully all of the transactions contemplated herein.
3. The security interest that is granted to the Trust hereunder shall constitute at all times a valid first priority perfected, choate security interest upon all of the Insurance Proceeds, and said security interest upon said Insurance Proceeds shall not become subordinate or junior to any other security interest.
4. At any time or times following Dow Corning’s grant of the security interest, the Trust may take any and all actions that, in its sole discretion, it deems necessary to establish and protect the security interest as a perfected first priority security interest in the Insurance Proceeds, including the filing of one or more UCC-1 financing statements without the signature of Dow Corning, provided that in no event may the Trust take any actions that conflict with

Dow Corning's and Dow Chemical's ownership of the insurance policies and Dow Corning's and Dow Chemical's full and exclusive authority and discretion to evaluate, prosecute, and settle all claims against their insurers.

5. Dow Corning hereby represents and warrants to the Facility and the Trust that, except for the security interest granted hereby, Dow Corning is the owner of the Insurance Proceeds free from any adverse lien, security interest or encumbrance.
6. Dow Corning hereby represents and warrants to the Facility and the Trust that the Applicable Policies are all of the insurance policies that potentially provide Dow Corning with products liability coverage for Personal Injury Claims under which Dow Corning has rights as of the Effective Date.
7. Dow Corning hereby represents and warrants to the Facility and the Trust that the Insurance Allocation Agreement has been duly authorized, executed, and delivered by the parties thereto and constitutes the obligations of the parties thereto enforceable against each of them according to its terms.
8. Dow Corning hereby covenants that it (a) shall not amend or otherwise modify the Insurance Allocation Agreement without the prior written consent of the Trust and (b) shall provide written notice to the Trust within five (5) business days following any modifications or compromise of its rights under any of the Applicable Policies together with copies of the applicable settlement agreement and all other documents, if any, that embody such modifications or compromise.
9. The Trust has no right or obligation to collect any Insurance Proceeds and will not be liable for failure to collect any Insurance Proceeds or for any act or omission on the part of Dow Corning or Dow Corning's officers, agents or employees, except willful conduct.
10. This Assignment and Security Agreement and all agreements, instruments and documents executed and delivered pursuant hereto or to consummate the transactions contemplated hereunder shall be binding upon and inure to the benefit of the successors and assigns of the Parties hereto.

MISCELLANEOUS

1. Termination: The Assignment and Security Agreement shall terminate upon the earlier of (i) the entry by the Court of a final order determining that all Insurance Proceeds payable to the Facility in respect of Personal Injury Claims have been paid to the Trust, or (ii) termination of Dow Corning's funding obligations to the Trust under the Funding Payment Agreement. Upon such termination, all remaining Insurance Proceeds shall be reassigned to Dow Corning.
2. Counterparts: This Assignment and Security Agreement may be executed in multiple counterparts, all of which shall constitute a single agreement and shall contain the entire

agreement of the Parties. All prior negotiations, statements, or representations are superseded and displaced hereby.

3. Further Assurances: Dow Corning shall cooperate and shall take such further action and shall execute and deliver such further documents as may be reasonably requested by the Trust in order to effectuate or facilitate the purposes and intents of this Agreement.
4. Copies to Claimants' Advisory Committee: Copies of all documents, notices, statements and reports to be provided under this Agreement to the Financial Advisor or to the Trust shall be delivered concurrently to the Claimants' Advisory Committee.
5. Captions: The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.
6. Waiver: The Parties hereto shall not be deemed to have waived any of their respective rights hereunder unless such waiver be in writing and signed by the party so waiving its right. No delay or omission on the part of any party in exercising its right hereunder shall operate as a waiver of such right or any other right. A waiver on one occasion shall not be construed as a bar to, or waiver of, that right or any other right or remedy on a future occasion.
7. Notices: All notices required or authorized under this Assignment and Security Agreement shall be in writing and shall be sent to the Parties at the following addresses, until any such Party gives written notice to the remaining parties of a change of address:

If to Dow Corning:

Dow Corning Corporation
2200 West Salzburg Road
P.O. Box 994
Midland, Michigan 48686-0994
Attention: General Counsel

With a copy to:

The Feinberg Group, LLP
1120 20th Street, N.W.
Suite 740 South
Washington, DC 20036-3437
Attention: Deborah E. Greenspan, Esq.

If to the Finance Committee:

Settlement Facility-Dow Corning Trust
3100 Main Street, Suite 700
Houston, TX 77002
Attention: Elizabeth Wendy Trachte-Huber

The Hon. Frank Andrews
P.O. Box 7829

4315 Lovers Lane
Dallas, TX 75209

Duke University School of Law
P.O. Box 90360
Durham, NC 27708-0360
Attention: Professor Francis E. McGovern

If to the Financial Advisor:

Crowe Chizek and Company LLC
Three First National Plaza
70 West Madison Street, Suite 700
Chicago, IL 60602-4205
Attention: Marilee K. Hopkins

If to the Trust:

Wells Fargo Bank, National Association
1445 Ross Avenue; MAC T5303-022
Dallas, TX 75202
Attention: Lon P. LeClair

If to the Claimants' Advisory Committee:

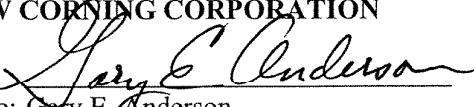
Blizzard, McCarthy & Nabers, LLP
440 Louisiana
Suite 1710
Houston, TX 77002-1689
Attention: Dianna L. Pendleton-Dominguez, Esq.

8. Governing Law: The interpretation and construction of this Assignment and Security Agreement, and all matters relating hereto, shall be governed by the laws of the State of New York without regard to conflicts of law principles.
9. Jurisdiction: Any judicial proceeding brought against any of the parties to this Assignment and Security Agreement on any dispute arising out of this Assignment and Security Agreement or any matter related hereto shall be brought in the Court and, by execution and delivery of this Assignment and Security Agreement, each of the Parties to this Assignment and Security Agreement accepts for himself the exclusive jurisdiction of the Court, and irrevocably agrees to be bound by any judgment after exhaustion of all appeals, rendered thereby in connection with this Assignment and Security Agreement.
10. Consent to Expedited Hearing: The Parties agree to cooperate in expedited procedures for review and resolution of any issue to be submitted to the Court for determination under this Assignment and Security Agreement and hereby consent to an expedited hearing before the Court on all such matters.

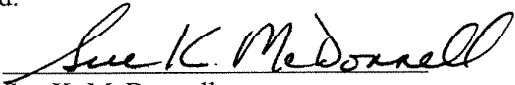
11. Amendments: This Assignment and Security Agreement may not be changed orally, but only by an agreement in writing signed by the Parties.
12. Benefit of Agreement: Nothing in this Assignment and Security Agreement, express or implied, confers on any person, other than the parties hereto and their successors and assigns hereunder, any benefit or any legal or equitable right, remedy, or claim under this Assignment and Security Agreement.

IN WITNESS WHEREOF, on June 1, 2004 Dow Corning has caused this Assignment and Security Agreement to be executed by a duly authorized officer or representative of Dow Corning and attested to by another duly authorized officer or representative of Dow Corning, and the Trustee has executed this Assignment and Security Agreement on behalf of the Trust.

DOW CORNING CORPORATION

By: 
Name: Gary E. Anderson
Title: Chairman

Attested:

By: 
Name: Sue K. McDonnell
Title: Vice President, General Counsel &
Secretary

**SETTLEMENT FACILITY-DOW CORNING
TRUST**

By: Wells Fargo Bank, National Association
(Formerly Wells Fargo Bank Texas, N.A.),
As Trustee

By: _____

Name: _____

Title: _____

**Acknowledged and approved:
OFFICIAL COMMITTEE OF TORT
CLAIMANTS**

By: _____
Name: Ralph I. Knowles

IN WITNESS WHEREOF, on June 1, 2004 Dow Corning has caused this Assignment and Security Agreement to be executed by a duly authorized officer or representative of Dow Corning and attested to by another duly authorized officer or representative of Dow Corning, and the Trustee has executed this Assignment and Security Agreement on behalf of the Trust.

DOW CORNING CORPORATION

By: _____
Name: Gary E. Anderson
Title: Chairman

Attested:

By: _____
Name: Sue K. McDonnell
Title: Vice President, General Counsel &
Secretary

SETTLEMENT FACILITY-DOW CORNING TRUST

By: Wells Fargo Bank, National Association
Successor by consolidation to (Formerly Wells Fargo Bank Texas, N.A.),
As Trustee

By: _____
Name: **JEFFERY ROSE**

Title: **Corporate Trust Officer**

**Acknowledged and approved:
OFFICIAL COMMITTEE OF TORT
CLAIMANTS**

By: _____
Name: Ralph I. Knowles

IN WITNESS WHEREOF, on June 1, 2004 Dow Corning has caused this Assignment and Security Agreement to be executed by a duly authorized officer or representative of Dow Corning and attested to by another duly authorized officer or representative of Dow Corning, and the Trustee has executed this Assignment and Security Agreement on behalf of the Trust.

DOW CORNING CORPORATION

By: _____
Name: Gary E. Anderson
Title: Chairman

Attested:

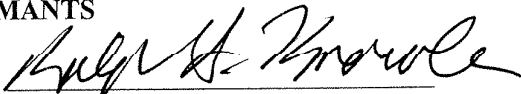
By: _____
Name: Sue K. McDonnell
Title: Vice President, General Counsel &
Secretary

**SETTLEMENT FACILITY-DOW CORNING
TRUST**

By: Wells Fargo Bank, National Association
(Formerly Wells Fargo Bank Texas, N.A.),
As Trustee

By: _____
Name: _____
Title: _____

**Acknowledged and approved:
OFFICIAL COMMITTEE OF TORT
CLAIMANTS**

By: 
Name: Ralph I. Knowles

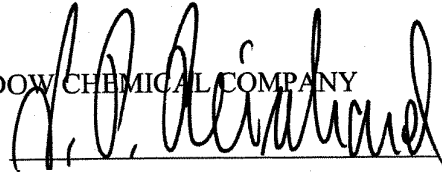
CONSENT OF THE DOW CHEMICAL COMPANY

The Dow Chemical Company hereby consents to Dow Corning's assignment of the Insurance Proceeds pursuant to this Agreement and hereby covenants that it shall not amend or otherwise modify the Insurance Allocation Agreement without the prior written consent of the Trust.

Executed on this 1st day of June 2004 by:

THE DOW CHEMICAL COMPANY

By:



Name: J. Pedro Reinhard

Title: Executive Vice President and
Chief Financial Officer

CONSENT OF CORNING INCORPORATED

Corning Incorporated hereby consents to Dow Corning's assignment of the Insurance Proceeds pursuant to this Agreement and hereby covenants that it shall not amend or otherwise modify the Insurance Allocation Agreement without the prior written consent of the Trust.

Executed on this 1st day of June 2004 by:

CORNING INCORPORATED

By: William D. Eggers

Name: WILLIAM DEGGERS

Title: Senior Vice President and General Counsel