FORM 8-K

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AVATEX CORP

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15 (D) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): DECEMBER 7, 1999

AVATEX CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

(STATE OR OTHER JURISDICTION OF INCORPORATION)

1-8549	25-1425889
(COMMISSION FILE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

5910 N. CENTRAL EXPRESSWAY, SUITE #1780 DALLAS, TEXAS	75206
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

214-365-7450

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

(FORMER NAME OR FORMER ADDRESS, IF CHANGED SINCE LAST REPORT)

NY:2\857954\04

ITEM 5. OTHER EVENTS

Avatex Corporation ("Avatex") announced on December 6, 1999 that the previously announced merger of its wholly-owned subsidiary, Xetava Corporation ("Xetava"), with and into Avatex, was approved by the holders of at least a majority of the outstanding shares of existing Avatex common stock and at least two-thirds of each series of existing Avatex preferred stock, voting separately as a class. Avatex also announced on December 6, 1999 that, in connection with the merger, the Delaware Court of Chancery approved the settlement of certain litigation that had been brought on behalf of holders of Avatex preferred stock in 1998.

Avatex announced on December 7, 1999 that the merger with Xetava was consummated on December 7, 1999 and that its $5.00 cumulative convertible preferred stock and $4.20 cumulative exchangeable series A preferred stock will cease to be outstanding. Avatex also announced that its new Class A common stock (the "New Avatex Common Stock") will be quoted for trading on the OTC Bulletin Board System under the symbol "AVAT", that warrants to purchase its Class A common stock (the "Warrants") will be quoted for trading on the OTC Bulletin Board System under the symbol "AVATW", and that Avatex Funding, Inc.'s 6.75% notes due 2002 (the "6.75% Notes") will be quoted for trading on the National Quotation Bureau "yellow sheets(TM)".

Under the merger, Avatex's former preferred stockholders were entitled to exchange their shares of preferred stock for shares of New Avatex Common Stock, or, at their election, a combination of cash, 6.75% Notes, Warrants and a deferred contingent right. The total amount of cash distributed to electing preferred stockholders was $12,861,670, the total principal amount of 6.75% Notes issued by Avatex Funding, Inc., a newly-formed, wholly-owned subsidiary of Avatex, to electing preferred stockholders was approximately $28,676,028, and the total number of Warrants issued to electing preferred stockholders was approximately 2,319,334. The former shares of Avatex preferred stock held by former preferred stockholders that did not elect to receive the combination of cash, 6.75% Notes, Warrants and deferred contingent rights were converted in the merger into a total of approximately 5,831,216 shares of New Avatex Common Stock. The common stock held by Avatex's existing common stockholders was converted into New Avatex Common Stock. As a result, there are now approximately 19,637,703 shares of New Avatex Common Stock outstanding.

In connection with the consummation of the merger, Avatex filed a Certificate of Merger of Xetava Corporation with and into Avatex Corporation with the Secretary of State of Delaware on December 7, 1999. The Certificate of Merger included the Restated Certificate of Incorporation of Avatex.

Reference is hereby made to the Amended and Restated Agreement and Plan of Merger dated June 18, 1999, and the Press Release, issued June 18, 1999 by Avatex, which are attached as Exhibits 2 and 99, respectively, to the Current Report on Form 8-K filed by

Avatex on June 24, 1999. Reference is also made to Amendment No. 1 to the Amended and Restated Agreement and Plan of Merger dated as of October 19, 1999, which is attached as Exhibit 2-B to Amendment No. 2 to Avatex's Registration Statement on Form S-4 (No. 333-84849), and the Press Releases issued December 6, 1999 and December 7, 1999 by Avatex, which are attached hereto as Exhibits 99-A and 99-B, respectively, and incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

3-A	Certificate of Merger of Xetava Corporation with and into Avatex Corporation dated December 7, 1999, with the Restated Certificate of Incorporation of Avatex Corporation annexed thereto.
3-B	Restated Certificate of Incorporation of Avatex Funding, Inc.
4-A	Indenture, dated as of December 7, 1999, among Avatex Funding, Inc., Avatex Corporation and Norwest Bank Minnesota, National Association, as indenture trustee.
4-B	Pledge and Security Agreement, dated as of December 7, 1999, among Avatex Funding, Inc., Avatex Corporation and Norwest Bank Minnesota, National Association, as collateral agent.
4-C	Subrogation Agreement, dated as of December 7, 1999, between Bart A. Brown, Jr., as Chapter 7 Trustee of FoxMeyer Corporation, et al., and Norwest Bank Minnesota, National Association, as indenture trustee, and acknowledged by Avatex Corporation.
10-A	Warrant Agreement, dated as of December 7, 1999, among Avatex Corporation and American Stock Transfer and Trust Company, as warrant agent.
10-B	Second Amendment to Employment Agreement, dated December 6, 1999, between Avatex Corporation and Abbey J. Butler.
10-C	Second Amendment to Employment Agreement, dated December 6, 1999, between Avatex Corporation and Melvyn J. Estrin.

99-A Press Release dated December 6, 1999, issued by Avatex Corporation.

99-B Press Release dated December 7, 1999, issued by Avatex Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: December 16, 1999.

AVATEX CORPORATION
(Registrant)

By: /s/ Robert H. Stone

Robert H. Stone
Vice President and
General Counsel

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
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4-B	Pledge and Security Agreement, dated as of December 7, 1999, among Avatex Funding, Inc., Avatex Corporation and Norwest Bank Minnesota, National Association, as

collateral agent.

4-C	Subrogation Agreement, dated as of December 7, 1999, between Bart A. Brown, Jr., as Chapter 7 Trustee of FoxMeyer Corporation, et al., and Norwest Bank Minnesota, National Association, as indenture trustee, and acknowledged by Avatex Corporation.
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99-A	Press Release dated December 6, 1999, issued by Avatex Corporation.
99-B	Press Release dated December 7, 1999, issued by Avatex Corporation.

CERTIFICATE OF MERGER

OF

XETAVA CORPORATION

WITH AND INTO

AVATEX CORPORATION

Under Section 251

of

the Delaware General Corporation Law

AVATEX CORPORATION, a Delaware corporation, hereby certifies that:

FIRST: The name and the state of incorporation of each of the constituent corporations is as follows:

Name	State of Incorporation
Avatex Corporation ("Avatex")	Delaware
Xetava Corporation ("Xetava")	Delaware

SECOND: An Agreement and Plan of Merger, dated as of June 18, 1999 (as amended, the "Agreement of Merger"), by and between Avatex and Xetava has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations named above in accordance with Section 251 (and, with respect to Xetava, by the written consent of its sole stockholder in accordance with Section 228) of the General Corporation Law of the State of Delaware.

THIRD: The name of the surviving corporation is Avatex Corporation (the "Surviving Corporation").

FOURTH: The Certificate of Incorporation of Avatex shall be amended in its entirety to read as set forth in the Restated Certificate of Incorporation of Avatex attached hereto as Annex A, and as so amended, shall be the Certificate of Incorporation of the Surviving Corporation, until duly amended in accordance with applicable law and the terms thereof.

FIFTH: The executed Agreement of Merger is on file at the principal place of business of the Surviving Corporation at 5190 N. Central Expressway, Suite 1780, Dallas, Texas 75206.

SIXTH: A copy of the Agreement of Merger will be furnished by the Surviving Corporation, on request and without cost, to any stockholder of any constituent corporation.

IN WITNESS WHEREOF, Avatex has caused this certificate to be executed as of the 7th day of December, 1999.

AVATEX FUNDING, INC.

By: /s/ Melvyn J. Estrin

Name: Melvyn J. Estrin
Title: Co-Chief Executive Officer

Annex A

Restated Certificate of Incorporation of Avatex Corporation

(see attached)

RESTATED CERTIFICATE OF INCORPORATION
OF
AVATEX CORPORATION

FIRST: The name of the Corporation is AVATEX CORPORATION.

SECOND: The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, 19801. The name of its registered agent at that address in the State of Delaware is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

FOURTH: Section 1. The total number of shares of capital stock that the Corporation shall have authority to issue is 60,000,000, of which 50,000,000 shares shall be class A common stock, par value $0.01 per share (the "Class A Common Stock"), and 10,000,000 shares shall be preferred stock, par value $0.01 per share (the "Preferred Stock").

SECTION 2 . The Preferred Stock may be issued from time to time in one or more series, and there is hereby expressly granted to and vested in the Board of Directors the authority, by resolution or resolutions providing for the issue thereof, to fix in respect of each series:

(a) the designation of such series, and the number of shares (which number may be decreased before the issuance thereof or may be increased) that shall be included in such series;

(b) the dividend rate, the dividend dates (which shall be no more frequent than quarterly) upon which dividends shall be payable, and the date from which dividends shall be cumulative on shares issued prior to the record date for the determination of shareholders entitled to receive payment of the first dividend on any shares of such series, together with the limitations, if any, on dividends or other distributions on common stock which are to obtain so long as any shares of such series shall be outstanding;

(c) the price at which shares of such series are redeemable, otherwise than for the purpose of a sinking fund applicable thereto, and any

limitations and restrictions with respect to such redemption;

(d) the obligation, if any, of the Corporation to purchase and retire or redeem shares of such series for the purpose of a sinking fund, and the price at which, and the terms and conditions on which, shares will be purchased or redeemed for such sinking fund;

(e) the amount payable to the holder of each share of such series in the event of a voluntary liquidation, dissolution or winding up of the Corporation before any payment shall be made to the holders of shares of Class A Common Stock;

(f) the right, if any, of the holders of shares of such series to convert the same into shares of any other class or series within a class, and the conversion price or rate and the method, if any, of adjusting the same; and

(g) the voting rights, if any, of the holders of shares of such series in addition to those given in this Article to all holders of Preferred Stock.

All shares of any one series of Preferred Stock shall be identical in every particular, except that shares thereof issued at different times may differ as to the dates from which dividends thereon shall be cumulative; and all shares of Preferred Stock of whatever series shall rank equally and be identical in all respects, except to the extent that variation is permitted as provided in this Article.

SECTION 3 . The holders of record of the Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any funds legally available for the purpose, cumulative cash dividends in the case of each series at the annual rate for such series fixed by the Board of Directors as hereinbefore provided, and no more, payable on such dates as shall have been fixed by the Board of Directors as hereinbefore provided.

No dividend shall be declared upon or set apart for any shares of Preferred Stock of any series for a dividend period ending on any date unless a like proportionate dividend shall have been or then be declared upon or set apart for all other outstanding shares of Preferred Stock of whatever series for all dividend periods ending on or before such date. Accumulations of dividends shall not bear interest.

SECTION 4 . So long as any shares of Preferred Stock shall be outstanding, the Corporation shall not declare any dividend or make any other distribution (other than dividends or distributions payable in Class A Common Stock) on, or purchase (directly or indirectly) or redeem, any shares of Class A Common Stock, or pay any money into or set apart or make available any money for a sinking or retirement fund for the purchase or redemption of shares of Class A Common Stock, unless (a) all dividends on all shares of Preferred Stock at the time outstanding for all past dividend periods and for the then current dividend period shall have been paid or shall have been declared and a sum

sufficient for the payment thereof shall have been set apart, and (b) the Corporation shall have complied with all its obligations theretofore to be performed for the purpose of each sinking fund applicable to the Preferred Stock of any series.

Subject to the foregoing provisions of this Section 4 and to any limitations on the payment of dividends on Class A Common Stock which may be fixed by the Board of Directors as hereinbefore provided, such dividends or other distributions as may be determined by the Board of Directors may be declared and paid or made upon Class A Common Stock, from time to time, out of any funds legally available therefor, and the Preferred Stock shall not be entitled to participate in any such dividend of distribution so declared and paid or made on the Class A Common Stock.

SECTION 5 . So long as any of the Preferred Stock remains outstanding, the consent of the holders of at least a majority of all outstanding shares of Preferred Stock regardless of series, given in person or by proxy by a vote at a meeting (which may be held coincident with or as a part of an annual or other meeting of stockholders) called for that purpose, or in writing with or without a meeting, shall be necessary for effecting or validating any amendment, alteration or repeal of any of the provisions of this Article (including any resolutions adopted by the Board of Directors pursuant to the authority granted by Section 2 of this Article FOURTH) which increase or decrease the par value of the Preferred Stock or would adversely affect the rights or preferences of the Preferred Stock, or of the holders thereof; provided, however, that if any such amendment, alteration or repeal would adversely affect the rights or preferences of outstanding shares of Preferred Stock of any particular series without adversely affecting the rights or preferences of the outstanding shares of all series, then only the consent by the holders of at least a majority of the Preferred Stock of that particular series at the time outstanding shall be necessary for effecting or validating such amendment, alteration or repeal. Notwithstanding the foregoing, the number of authorized shares of Preferred Stock may be increased or decreased by the consent of the holders of at least two-thirds of the stock of the Corporation of all classes entitled to vote.

SECTION 6 . Subject to any limitations or restrictions on redemption of shares of any series that shall have been fixed by the Board of Directors as hereinbefore provided, the Corporation at its option may redeem all or any part of the Preferred Stock of any series, at any time or from time to time, when or as the Board of Directors may authorize or direct, at the redemption price that shall have been fixed by the Board of Directors as hereinbefore provided plus accrued dividends thereon, upon notice duly given as hereinafter provided. In case of the redemption of a part only of any series of the Preferred Stock at the time outstanding, the shares to be redeemed shall be selected pro rata or by lot, or in such other equitable manner as the Board of Directors may determine. At least 30 days' prior notice of each redemption of Preferred Stock shall be mailed to the holders of record of the Preferred Stock to be redeemed at their respective addresses as shown by the books of the Corporation. If notice of redemption shall have been duly given and if, on or before the redemption date designated in such notice, the funds necessary for such redemption shall have been set aside, so as to be and continue to be available therefor, then, from and after such redemption date, all rights of the holders of Preferred Stock with respect to the shares so called for redemption shall cease and

terminate, except only the right, upon surrender of certificates therefor, to receive the redemption price thereof plus accrued dividends thereon, but without interest. If notice of redemption shall have been duly given, and if, on or before the redemption date designated in such notice, the funds necessary for such redemption shall have been deposited in trust for such purpose with a bank or trust company having a capital and surplus aggregating at least $5,000,000, then, forthwith upon the making of such deposit, all rights of the holders of Preferred Stock with respect to the shares so called for redemption shall cease and terminate, except only the right, upon surrender of certificates therefor after the making of such deposit, to receive the redemption price thereof and accrued dividends thereon to such redemption date, but without interest or, if the right of conversion shall have been conferred upon such shares and shall not by the terms thereof previously have expired, to exercise the right of conversion thereof on or before such redemption date, unless an earlier time for the expiration of such right of conversion shall have been determined or provided by resolution of the Board of Directors fixing such right of conversion, and then only on or before such earlier time for the expiration of such right of conversion. Any funds so set aside or deposited which, because of the exercise of any right of conversion of shares called for redemption, shall not be required for such redemption, shall be released and repaid forthwith to the Corporation. Any interest on funds so deposited which may be allowed by any bank or trust company with which such deposit was made shall belong to the Corporation. Shares of Preferred Stock that shall have been redeemed shall not be reissued or otherwise disposed of and shall be cancelled.

The provisions of this Section 6 shall apply to the redemption of Preferred Stock for the purpose of any sinking fund applicable thereto, in which case the amount payable upon redemption for such purpose shall be that which

shall have been fixed by the Board of Directors as hereinbefore provided.

SECTION 7 . In the event of any liquidation, dissolution or winding up of the Corporation, the holders of each share of Preferred Stock shall be entitled to receive, before any payment shall be made to the holders of shares of the Class A Common Stock, the amount that shall have been fixed by the Board of Directors in respect of such event as hereinbefore provided plus accrued dividends thereon. After payment to the holders of the Preferred Stock of the full amounts aforesaid, the holders of Preferred Stock as such shall have no right or claim to any of the remaining assets of the Corporation. If, upon any such liquidation, dissolution or winding up, the assets available therefor are not sufficient to permit the payment to the holders of the Preferred Stock the full amounts aforesaid, then the holders of Preferred Stock shall share ratably in the distribution of assets in accordance with the sums which would be payable if such holders were to receive the full amounts aforesaid.

SECTION 8 . Except as otherwise specifically provided in this Article or as may be fixed by the Board of Directors as hereinbefore provided, or as otherwise expressly required by law, the holders of Preferred Stock shall not have any right to vote for the election of directors or for any other purpose nor be entitled to any notice of any meeting of stockholders. Except as otherwise expressly provided in this Article or by law, or as may be fixed by the Board of Directors in respect of any series of Preferred Stock as hereinabove provided, the Class A Common Stock shall have the exclusive right

to vote for the election of directors and for all other purposes. Each holder of stock of the Corporation entitled to vote on any matter shall have one vote for each share thereof held.

FIFTH: No holder of shares of capital stock of the Corporation of any class, whether now or hereafter authorized, shall have any preemptive or preferential right to purchase, subscribe for or otherwise acquire any shares of capital stock of the Corporation of any class, now or hereafter authorized, or any securities or obligations, now or hereafter authorized, convertible into or exchangeable for any such shares.

SIXTH: The Corporation is to have perpetual existence.

SEVENTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the by-laws of the Corporation.

EIGHTH: The number of directors of the Corporation shall be fixed by and may from time to time be altered as provided in the by-laws of the Corporation, but shall not be less than three. The directors shall be divided into three classes with the total number of directors to be allocated among the three classes as equally as possible. The term of office of the first class shall

expire at the annual meeting next ensuing; of the second class one year thereafter; of the third class two years thereafter; and at each annual election held after such classification and election, directors shall be chosen for a full three-year term to succeed those whose terms expire. The election of directors by classes as provided herein shall be irrespective of the directors which any separate class of shareholders may elect pursuant to the provisions of any resolution that may be adopted by the directors under Section 151 of the DGCL and Article FOURTH of this Restated Certificate of Incorporation in regard to the authorization of one or more series of Preferred Stock. Notwithstanding any other provisions of this Restated Certificate of Incorporation or the by-laws of the Corporation, the affirmative vote of the holders of 80% or more of the voting power of the shares of the then outstanding voting stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with this Article EIGHTH of this Restated Certificate of Incorporation or any similar provision contained in the by-laws of the Corporation.

NINTH: The Board of Directors shall have the power and authority at any meeting to sell, lease or exchange all of the property and assets of the Corporation, including its good will and its corporate franchises, upon such terms and conditions as a majority of the Board of Directors deems expedient and for the best interests of the Corporation, provided such lease, sale or exchange be authorized by the affirmative vote of the holders of record of at least two-thirds of the total number of shares of the stock of the Corporation, at the time issued and outstanding, having voting power, given at a stockholder's meeting duly called for that purpose, or by the written consent of the holders of record at least two-thirds of the total number of shares of the stock of the Corporation having voting power, at the time issued and outstanding.

TENTH: Notwithstanding the laws of the State of Delaware and other provisions of this Restated Certificate of Incorporation as to the affirmative vote of the stockholders

required to approve certain transactions, the transactions hereinafter described shall under the circumstances hereinafter set forth require a higher vote of the stockholders, all as hereinafter set forth:

SECTION 1 . In addition to any affirmative vote required by law or this Restated Certificate of Incorporation, and except as otherwise expressly provided in Section 2 of this Article TENTH or as otherwise prohibited by applicable law:

(i) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Stockholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Stockholder) which

is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or series of transactions) to or with any Interested Stockholder or any Affiliate of the Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of $1,000,000 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of $1,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or any Affiliate of any Interested Stockholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder; or

(vi) any agreement, contract or other arrangement providing for any one or more of the actions

specified in the foregoing clauses (i) through (v);

shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise. The term "Business Combination" as hereinafter used in the Article TENTH shall mean any transaction which is referred to in any one or more of clauses (i) through (vi) of this Section 1.

SECTION 2 . The provisions of Section 1 of this Article TENTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Restated Certificate of Incorporation, if the conditions specified in either of the following paragraphs (a) or (b) are met:

(a) The Business Combination shall have been approved by a majority of the Continuing Directors (as hereinafter defined).

(b) All of the following conditions shall have been met:

(i) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Class A Common Stock in such Business Combination shall be at least equal to the highest of the following:

(A) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Common Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(B) the Fair Market Value per share of Class A Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (such later date is referred to in this Article TENTH as the "Determination Date"), whichever is higher; and

(C) (if applicable) the price per share equal to the Fair Market Value per share of Class A Common Stock determined pursuant to paragraph b(i)(B) above, multiplied by the ratio of (1) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Class A Common Stock acquired by it within the two-year period immediately prior to the Announcement Date to (2) the Fair Market Value per share of Class A Common Stock on the first day in such two-year period upon which the Interested Stockholder acquired any shares of Class A Common Stock.

(ii) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any other class of outstanding Voting Stock (other than Institutional Voting Stock, as hereinafter defined) shall be at least equal to the highest of the following (it being intended that the requirement of this paragraph b(ii) shall be required to be met with respect to every class of outstanding Voting Stock (other than Institutional Voting Stock), whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(A) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such class of Voting Stock acquired by it (1) within the two-year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(B) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher; and

(if applicable) the price per share equal to the Fair Market Value per share of such class of Voting Stock determined pursuant to paragraph b(ii)(C) above, multiplied by the ratio of (1) the highest per share price

(including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such class of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date to (2) the Fair Market Value per share of such class of Voting Stock on the first date in such two-year period upon which the Interested Stockholder acquired any shares of such class of Voting Stock.

(iii) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Class A Common Stock) shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class of Voting Stock. If the Interested Stockholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by it.

(iv) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (a) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock; (b) there shall have been (1) no reduction in the annual rate of dividends paid on the Class A Common Stock (except as necessary to reflect any subdivision of the Class A Common Stock), except as approved by a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Class A Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Continuing Directors; and (c) such Interested Stockholder shall have not become the Beneficial Owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(v) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(vi) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public stockholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information is required to be mailed pursuant to such Act or subsequent provisions).

SECTION 3 . As used in this Article TENTH, the following terms have the following respective meanings:

"Person" means an individual, corporation, estate, trust, association, partnership, joint venture or other entity.

"Interested Stockholder" means any Person (other than the Corporation, any Subsidiary, or any profit-sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee or fiduciary with respect to any such plan, or holding Voting Stock for the purpose of funding any such plan or funding other employee benefits for employees of the Corporation or any Subsidiary when acting in such capacity) who or which:

(i) is the Beneficial Owner, directly or indirectly, of more than 10% of the voting power of the outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of 10% or more of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

For the purposes of determining whether a Person is an Interested Stockholder, the number of shares of Voting Stock deeded to be outstanding shall include shares deemed owned through application of the definition of Beneficial Owner but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

"Beneficial Owner" of any Voting Stock means:

(i) which such Person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such Person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding (but neither such Person nor any such Affiliate or Associate shall be deemed to be the beneficial owner of any shares of Voting Stock solely by reason of a revocable proxy granted for a particular meeting of stockholders pursuant to a public solicitation of proxies for such meeting, and with respect to which shares neither such Person nor any such Affiliate or Associate is otherwise deemed the beneficial owner); or

(iii)which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except to the extent contemplated by the parenthetical clause in (ii)(b) above) or disposing of any shares of Voting Stock.

"Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on March 1, 1983.

"Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in this Section 3, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

"Continuing Director" means any member of the Board of Directors of the Corporation (the "Board") who is unaffiliated with an Interested Stockholder and was a member of the Board prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Continuing Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board.

"Fair Market Value" means: (i) in the case of cash, the amount thereof; (ii) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for stocks listed on the New York Stock Exchange, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed

on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board in good faith; and (iii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board in good faith.

"Institutional Voting Stock" means any class of Voting Stock which was issued to and continues to be held solely by one or more insurance companies, pension funds, commercial banks, savings banks or similar financial institutions or institutional investors.

SECTION 4 . In the event of any Business Combination in which the Corporation survives, the phrase "other consideration to be received" as used in paragraphs (b)(i) and (ii) of Section 2 of this Article TENTH shall include the shares of Class A Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

SECTION 5 . A majority of the directors of the Corporation shall have the power and duty to determine for the purposes of this Article TENTH, on the basis of information known to them after reasonable inquiry, (A) whether a Person is an Interested Stockholder, (B) the number of shares of Voting Stock beneficially owned by any Person, (C) whether a Person is an Affiliate or Associate of another, (D) whether a class of Voting Stock is Institutional Voting Stock, (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of $1,000,000 or more and (F) whether the applicable conditions set forth in Section 2(b) of this Article ELEVENTH have been met with respect to any Business Combination.

SECTION 6 . Nothing contained in this Article TENTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

SECTION 7 . Notwithstanding any other provisions of this Restated

Certificate of Incorporation or the by-laws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this Restated Certificate of Incorporation or the by-laws of the Corporation), the affirmative vote of the holders of 80% or more of the voting power of the shares of the then outstanding Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article TENTH of this Certificate of Incorporation.

ELEVENTH: The Corporation shall have the power to create and issue, whether or not in connection with the issue and sale of any shares of stock or other securities of the Corporation, rights or options entitling the holders thereof to purchase from the

Corporation any shares of its capital stock of any class or classes, such rights or options to be evidenced by or in such instrument or instruments as shall be approved by the Board of Directors, which instrument or instruments may contain such provisions against dilution of the stock deliverable against said rights or options as may, in the judgment of the Board of Directors, be deemed expedient or necessary, and may contain a provision that if the Corporation shall offer to its stockholders of any class or series as a class, rights to subscribe for shares of stock or other securities, it shall offer to the holders of such rights or options the right to subscribe for such stock or other securities on the terms and to the extent on and to which the holders of such rights or options would be entitled to subscribe were they the holders of record of the number of shares of stock then deliverable against such rights or options. The terms upon which, the time or times, which may be limited or unlimited in duration, at or within which, and the price or prices at which any such shares may be purchased from the Corporation upon the exercise of any such right or option, shall be such as shall be fixed and stated in a resolution or resolutions adopted by the Board of Directors providing for the creation and issue of such rights or options, and, in every case, set forth or incorporated by reference in the instrument or instruments evidencing such rights or options. The Corporation shall reserve and have at all times available a sufficient number of its shares of stock or securities or assets to satisfy the rights and privileges contained in all its outstanding rights or options for the purpose of stock or other securities.

TWELFTH: In addition to the powers and authorities herein or by statute expressly conferred upon them, the Board of Directors may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, however, to the provisions of the laws of the State of Delaware, of this Restated Certificate of Incorporation and of the by-laws of the Corporation.

THIRTEENTH: Insofar as the same is not contrary to the laws of the State of Delaware, no contract or other transaction between this Corporation and any other corporation shall be affected or invalidated by reason of the fact that

any one or more of the directors of this Corporation is or are interested in, or is a director or officer, or are directors or officers of such other corporation, and any director or directors of this Corporation, individually or jointly, may be a party or parties to, or may be interested in, any contract or transaction of this Corporation or in which this Corporation is interested; and no contract, act or transaction of this Corporation with any person or persons, firm, association or corporation, shall be affected or invalidated by reason of the fact that any director or directors of this Corporation is a party or are parties to, or interested in such contract, act or transaction, or is, or are, in any way connected with such person or persons, firm, association or corporation, if such fact is known to the Board of Directors of this Corporation, and each and every person who may become a director of this Corporation is hereby relieved from any liability that might otherwise exist from contracting with this Corporation for the benefit of himself, or any firm, association or corporation in which he may be in anywise interested.

FOURTEENTH: A director of the Corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (A) for any breach of the director's duty of loyalty to the

Corporation or its stockholders, (B) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (C) under Section 174 of the DGCL or (D) for any transaction from which the director derives an improper personal benefit. If the DGCL is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended. Any repeal or modification of this article by the stockholders of the Corporation shall not adversely affect any right or protections of a director of the Corporation existing at the time of such repeal or modification.

FIFTEENTH: To the full extent permitted by Section 145 of the DGCL or any successor provisions thereto, (A) the Corporation shall (1) indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding and (2) pay expenses incurred by such person in defending a civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding, and (B) the Corporation may (1) indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was an employee or agent of the Corporation or is or was serving at the request

of the Corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding and (2) pay expenses incurred by such person in defending a civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding. The foregoing indemnification and advancement of expenses provisions shall not be deemed exclusive of any other rights to indemnification or advancement of expenses to which any such person may be entitled under any statute, by-law, agreement, vote of stockholders or disinterested directors or otherwise and are deemed to be contract rights with respect to each person entitled to the benefits of such new provisions. Any change in law that purports to restrict the ability of the Corporation to indemnify or advance expenses to any such person shall not affect the Corporation's obligation or right to indemnify and advance expenses to any such person with respect to any action, claim, suit or proceeding that occurred or arose or that is based on events or acts that occurred or arose, prior to such change in law.

SIXTEENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation in the manner now or hereafter prescribed by law, provided that, in addition to any other vote of stockholders required elsewhere in this Restated Certificate of Incorporation, such amendment, alteration, change or repeal is authorized by a resolution adopted by the affirmative vote of the holders of record of at least two-thirds of the total number of shares of capital stock of the Corporation at the time issued and outstanding having voting powers given at a stockholders' meeting duly called for that purpose, and all rights and powers conferred herein upon stockholders, directors and officers are subject to this reserved power.

RESTATED CERTIFICATE OF INCORPORATION

OF

AVATEX FUNDING, INC.

(a Delaware corporation)

****

AVATEX FUNDING, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Avatex Funding, Inc. (the "Corporation"). The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on August 3, 1999.

2. This Restated Certificate of Incorporation, which restates and amends the provisions of the Certificate of Incorporation, was duly adopted by the Board of Directors and the sole stockholder of the Corporation in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware.

3. The text of the Certificate of Incorporation, as currently in effect, is hereby restated and amended to read in its entirety as follows:

ARTICLE I
NAME

The name of the Corporation is Avatex Funding, Inc. (the "Corporation").

ARTICLE II
REGISTERED OFFICE AND REGISTERED AGENT

The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, city of Wilmington, county of New Castle, 19801. The name of its registered agent at that address is The Corporation Trust Company.

ARTICLE III
CORPORATE PURPOSES

The purposes of the Corporation are solely to engage in acts or activities, directly or indirectly, arising from, provided or necessitated by, resulting from, in connection with or otherwise incidental or related to the

following:

(a) subject to Section 3.10 of the Indenture (as defined below) and paragraph (c) of Article VIII below, accepting, owning and holding the entire beneficial interest in (i) certain shares of common stock, par value $0.01 per share, of Phar-Mor, Inc., a Pennsylvania corporation (the "Phar-Mor Shares") or (ii) any other contributions to the capital of the Corporation, contributed from time to time by Avatex Corporation, a Delaware corporation ("Avatex"), or any other person, as long as such contributions have no associated liabilities;

(b) entering into (i) that certain indenture, dated as of December 7, 1999 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Indenture"), by and among the Corporation, Avatex and Norwest Bank Minnesota, National Association, as trustee (the "Trustee"), and (ii) that certain Pledge and Security Agreement, dated as of December 7, 1999 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement"), among the Corporation, Avatex and the Trustee, as collateral agent;

(c) complying with, and performing any and all of the Corporation's obligations under, contemplated or necessitated by or in connection with, (i) the Indenture, (ii) the Corporation's 6.75% Notes due 2002 issued pursuant to the Indenture (the "Notes"), (iii) the Security Agreement, (iv) the Amended and Restated Agreement and Plan of Merger, dated as of June 18, 1999, by and between Avatex and Xetava Corporation, a Delaware corporation (as amended, the "Merger Agreement"), (v) the merger of Xetava with and into Avatex contemplated by, and pursuant to, the Merger Agreement, (the "Merger"), (vi) the issuance of the Notes by the Corporation that are required to be issued in connection with the Merger pursuant to the Merger Agreement, and (vii) the Subrogation Agreement (as defined in the Indenture) and the Trustee Note (as defined in the Indenture);

(d) subject to Section 3.10 of the Indenture and paragraph (c) of Article VIII below, investing the proceeds derived from the ownership of the Pledged Collateral (as defined in the Security Agreement) or any other assets contributed to the Corporation, but only in bank certificates of deposit, money market instruments or securities issued by the United States government or its agencies or instrumentalities (as long as such certificates of deposit, money market instruments or securities mature prior to the date of maturity of the Notes);

(e) executing, delivering and performing any agreement evidencing, necessitated by or in connection with any and all of the foregoing or any and all of the activities and powers referred to below in paragraph (f) of this Article III , and

(f) engaging in any lawful act or activity and to exercise any powers

permitted to a corporation organized under the General Corporation Law of the State of Delaware that, in each case, are incidental to the foregoing or necessary to accomplish the foregoing.

ARTICLE IV
CAPITAL STOCK

The total number of shares of all classes of capital stock that the Corporation is authorized to issue is one thousand (1,000) shares, all of which shares shall be common stock, par value $0.01 per share ("Common Stock").

ARTICLE V
CORPORATE EXISTENCE

The Corporation is to have perpetual existence.

ARTICLE VI
POWERS OF THE BOARD OF DIRECTORS

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to act as set forth in paragraphs (a), (b) and (c) below:

(a) to make, alter, amend or repeal the By-Laws, except as otherwise expressly provided in any By-Law made by the holders of the capital stock of the Corporation entitled to vote thereon, subject to any limitation set forth therein or in this Restated Certificate of Incorporation and subject to the power of the stockholders to alter the By-Laws adopted by the Board of Directors;

(b) to designate, by resolution passed by a majority of the whole Board of Directors, one or more committees, each committee to consist of one or more directors of the Corporation, which, to the extent provided in the resolution designating the committee or in the By-Laws of the Corporation, shall, subject to the limitations prescribed by law or otherwise in this Restated Certificate of Incorporation, have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require such seal (such committee or committees shall have such name or names as may be provided in the By-Laws of the Corporation or as may be determined from time to time by resolution adopted by a majority of the whole Board of Directors); and

(c) to exercise, in addition to the powers and authorities hereinbefore or by law conferred upon it, any such powers and authorities and do all such acts and things as may be exercised or done by the Corporation,

subject, nevertheless, to the provisions of the laws of the State of Delaware and of this Restated Certificate of Incorporation (and in particular Article III) and of the By-Laws of the Corporation.

Notwithstanding anything to the contrary contained in this Article VI, the Board of Directors of the Corporation shall not act, or propose to act, in any manner contrary to the provisions of the Indenture.

ARTICLE VII
INDEMNIFICATION OF DIRECTORS

(a) A director of the Corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of Delaware or (iv) for any transaction from which the director derives an improper personal benefit. If the General Corporation Law of Delaware is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of Delaware as so amended. Any repeal or modification of this article shall not adversely affect any right or protections of a director of the Corporation existing at the time of such repeal or modification.

(b) To the fullest extent permitted by Section 145 of the General Corporation Law of Delaware or any successor provisions thereto, (i) the Corporation shall (A) indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding (a "proceeding"), whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding and (B) pay, upon receipt of any undertaking to repay amounts advanced required by the General Corporation Law of Delaware, expenses incurred by such person in defending a civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding, and (ii) the Corporation may (A) indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust

or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding and (B) pay expenses incurred by such person in defending a civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding. Notwithstanding clause (i)(A) of the preceding sentence, the Corporation shall be required to indemnify an indemnitee in connection with a proceeding (or part thereof) commenced by such indemnitee only if the commencement of such proceeding (or part thereof) by the indemnitee was authorized by the Board of Directors of the Corporation. The foregoing indemnification and advancement of expenses provisions shall not be deemed exclusive of any other rights to indemnification or advancement of expenses to which any such person may be entitled under any statute, by-law, agreement, vote of stockholders or disinterested directors or otherwise and are deemed to be contract rights with respect to each person entitled to the benefits of such new provisions. Any change in law that purports to restrict the ability of the Corporation to indemnify or advance expenses to any such person shall not affect the Corporation's obligation or right to indemnify and advance expenses to any such person with respect to any action, claim, suit or proceeding that occurred or arose or that is based on events or acts that occurred or arose, prior to such change in law.

ARTICLE VIII
RESTRICTIONS ON CORPORATE ACTION

(a) Notwithstanding any other provision of this Restated Certificate of Incorporation (other than paragraph (c) of this Article VIII) and any provision of law that otherwise so empowers the Corporation, as long as any of the Notes remain outstanding, without the approval of the holders of at least 66-2/3% in principal amount of the Notes then outstanding, the Corporation shall not do any of the following:

(i) engage in any business or activity other than as described in this Restated Certificate of Incorporation and matters necessarily incident thereto;

(ii) increase or reclassify the capital stock of the Corporation or issue any additional shares of capital stock of the Corporation;

(iii) delete, amend, supplement or otherwise modify any provision of this Restated Certificate of Incorporation;

(iv) create, incur, issue, assume, guarantee or otherwise become, directly or indirectly, liable, contingently or otherwise, with respect to any indebtedness or liability, other than (A) indebtedness or liabilities of the Corporation under, arising from or otherwise with respect to or in connection with, or otherwise incurred by the Corporation in connection with the consummation of any of the transactions contemplated by, or otherwise to comply with, the Notes, the Indenture, the Officer's Certificate required to be delivered by Section 1.05(b) of the Indenture, the Security Agreement and the

Agreement), in each case, after the original date of the Indenture, (B) indebtedness or liabilities arising after the original date of the Indenture from the fees and expenses of, or payable or paid to, (I) the Trustee under the Indenture or the collateral agent under the Security Agreement, and (II) the Corporation's outside counsel or accountants or other outside agents or representatives, to the extent it is necessary or reasonably advisable to engage any such person in connection with the Corporation's interpreting, complying with (including, but not limited to, complying with any applicable law, rule or regulation), or otherwise consummating any of the transactions contemplated by, the Indenture, the Officer's Certificate required to be delivered by Section 1.05(b) of the Indenture, the Notes, the Security Agreement, the Subrogation Agreement or the Trustee Note, and (C) indebtedness or liabilities on account of incidentals or administrative services supplied or furnished to the Corporation (including, but not limited to, bank or brokerage fees), in an aggregate amount per calendar year not to exceed $7,500;

(v) directly or indirectly, create, incur, assume or suffer to exist any lien on any asset or property now owned or hereafter acquired by the Corporation, except for Permitted Liens (as defined in the Indenture);

(vi) declare or pay any dividend or make any other payment or distribution on account or in respect of the Corporation's capital stock; or

(vii) in one or more related transactions, consolidate or merge with or into (whether or not the Corporation is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets to, or sell, transfer or dispose of any of its capital stock to, another person or entity.

(b) As long as any of the Notes remain outstanding, or otherwise with the approval of the holders of at least 66-2/3% in principal amount of the Notes then outstanding, the Corporation shall at all times:

(i) not become involved in the day-to-day management of any other person or entity; (ii) maintain corporate records, books of account and payroll (if any) separate from any other person or entity:

(iii) maintain financial statements, books and records separate from any other person or entity and insure that any consolidated financial statements that include the Corporation have notes clearly stating that the Corporation is a separate corporate entity;

(iv) maintain its assets separately from the assets of any other person or entity (including through the maintenance of a separate bank account);

(v) conduct all business correspondence of the Corporation and other communications in the Corporation's own name;

(vi) not act as an agent of any other person or entity in any capacity; and

(vii) separately manage the Corporation's liabilities from those of any other person or entity.

(c) Notwithstanding anything to the contrary in this Certificate of Incorporation, the Corporation shall be able to use the proceeds derived from its ownership of the Pledged Collateral, including, but not limited to, the proceeds of any Regular Dividend (as defined in the Indenture) or Extraordinary Dividend (as defined in the Indenture) made on account or in respect of the Pledged Collateral, and the proceeds of any contributions to the capital of the Company, to pay or cause to be paid the principal of and interest on the Notes in the manner provided for in the Indenture and the Notes or to purchase, redeem or otherwise acquire or retire the Notes; provided, however, that, in the event that the proceeds of any Extraordinary Dividend exceed $2.3 million, the Company may not use more than the greater of $2.3 million and 50% of such Extraordinary Dividend to pay or cause to be paid interest on the Notes.

(d) Notwithstanding any other provision of this Certificate of Incorporation and any provision of law that otherwise so empowers the Corporation, as long as any of the Notes remain outstanding, neither the Corporation nor the Board of Directors of the Corporation nor any committee appointed or designated thereby shall without the unanimous vote of the Board of Directors of the Corporation take any corporate action.

ARTICLE IX
RESERVATION OF RIGHT TO AMEND CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend, alter, change or repeal any provisions contained in this Restated Certificate of Incorporation in the manner now or hereafter prescribed by law and all the provisions of this Restated Certificate of Incorporation, and as otherwise permitted by the Indenture, and all rights and powers conferred in this Restated Certificate of Incorporation on stockholders, directors and officers are subject to this reserved power; provided, however, that, as long as any of the Notes remain outstanding, without the approval of the holders of at least 66-2/3% in principal amount of the Notes then outstanding, the Corporation shall not delete, amend, supplement or otherwise modify any provision of this Restated Certificate of Incorporation.

ARTICLE X
INDEPENDENT DIRECTOR

As long as any of the Notes remain outstanding, without the approval of the holders of at least 66-2/3% in principal amount of the Notes then outstanding to the contrary, the Corporation shall at all times have at least one (1) director (the "Independent Director") who is also an independent, non-management director of Avatex. The initial Independent Director shall be John L. Wineapple.

ARTICLE XI
INITIAL BOARD OF DIRECTORS

The number of directors constituting the board of directors as of the date hereof shall be three, and the name of each person who is to serve as director until the next annual meeting of stockholders or until his successor is elected and qualified are:

Name

John L. Wineapple, Independent Director

Abbey J. Butler

Melvyn J. Estrin

IN WITNESS WHEREOF, the Corporation has caused this Restated Certificate of Incorporation to be signed by Melvyn J. Estrin, a Co-Chief Executive Officer of the Corporation, this 6th day of December, 1999.

AVATEX FUNDING, INC.

By: /s/ Melvyn J. Estrin

Name: Melvyn J. Estrin
Title: Co-Chief Executive Officer

AVATEX FUNDING, INC.

AND

AVATEX CORPORATION

6.75% Notes due 2002

Indenture

Dated as of December 7, 1999

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION

Trustee

NY2:\394032\09

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N.A. means not applicable.
* This Cross Reference Table is not part of the Indenture.
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INDENTURE dated as of December 7, 1999 among AVATEX FUNDING, INC., a Delaware corporation (the "Company"), AVATEX CORPORATION, a Delaware corporation and the surviving corporation in the Merger (as defined below) ("Avatex"), as guarantor, and NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (the "Trustee"). The Company and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 6.75% Notes due 2002.

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. Definitions.

Set forth below are certain defined terms used in this Indenture.

"Affiliate" of any specified Person means any other Person which, directly or indirectly, controls, is controlled by or is under direct or indirect common control with, such specified Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; provided that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Registrar, Paying Agent or co-registrar.

"Bankruptcy Law" means Title 11, U.S. Code or any similar foreign, federal or state law for the relief of debtors.

"Board of Directors" means the board of directors of the Company or any duly authorized committee of such board of directors.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification and delivered to the Trustee.

"Business Day" means any day other than a Legal Holiday.

"Capital Stock" means, (a) in the case of a corporation, corporate stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (c) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and (d) any other interest or participation that

confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Consolidated Net Worth" means, with respect to any Person as of any date, the sum of (i) the consolidated equity of the common stockholders of such Person and its consolidated Subsidiaries as of such date plus (ii) the respective amounts reported on such Person's balance sheet as of such date with respect to any series of preferred stock that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment, but only to the extent of any cash received by such Person upon issuance of such preferred stock, and, in any event with respect to this clause (ii), to the extent that any such series of preferred stock is not treated or classified as a liability on such Person's balance sheet in accordance with GAAP, less (x) all

write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made within 12 months after the acquisition of such business) subsequent to the date of this Indenture in the book value of any asset owed by such Person or a consolidated Subsidiary of such Person, and (y) all unamortized debt discount and expenses and unamortized deferred charges as of such date, all of the foregoing determined in accordance with GAAP.

"Closing Date" means December 7, 1999.

"Collateral Agent" means Norwest Bank Minnesota, National Association, in its capacity as collateral agent under the Security Agreement.

"Commission" means the Securities and Exchange Commission.

"Company" means Avatex Funding, Inc., a Delaware corporation.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 12.02 hereof or such other address as to which the Trustee may give notice to the Company.

"Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"Default" means any event that is or with the passage of time or the giving of notice or both would be an Event of Default.

"Depository" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depository with respect to the Notes, until a successor shall have been appointed and become such pursuant to the applicable provision of this Indenture, and, thereafter, "Depository" shall mean or include such successor.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Extraordinary Dividend" means any dividend or other payment or distribution declared by Phar-Mor to all holders of Phar-Mor Common Stock other than a Regular Dividend.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect from time to time.

"Global Note" means a permanent global note that contains the paragraph referred to in footnote 1 and the additional schedule referred to in footnote 2 to the form of the Note attached hereto as Exhibit A, and that is deposited with the Note Custodian and registered in the name of the Depository.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States of America is pledged.

"Guarantor" means Avatex, as guarantor of the Company's payment of all principal of and interest on the Notes, and all other amounts payable under the Notes or this Indenture, pursuant to the Parent Guarantee.

"Holder" means a Person in whose name a Note is registered.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Interest Payment Date" has the meaning assigned to such term in paragraph 1 of the form of the Note attached hereto as Exhibit A.

"Issuance" means the issuance of the Notes by the Company that are required to be issued in connection with the Merger pursuant to the Merger Agreement and a registration statement on Form S-4 (Registration No. 333-84849, as amended) and the prospectus included therein.

"Legal Holiday" means a Saturday, Sunday or a day on which banking

institutions in the City of New York, the city where the principal office of the Trustee is located, or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"Merger" means the merger of Xetava with and into Avatex contemplated by, and pursuant to, the Merger Agreement.

"Merger Agreement" means that certain Amended and Restated Agreement and Plan of Merger, dated as of June 18, 1999, by and between Avatex and Xetava, as the same shall be amended, amended and restated, supplemented or modified from time to time.

"Notes" means the Company's 6.75% Notes due 2002 issued in compliance with this Indenture.

"Note Custodian" means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any indebtedness, including the Notes.

"Officer" means, with respect to any Person, the Chairman of the Board, Chief Executive Officer, the President, any Senior Vice President, the Chief Financial Officer or any Vice President of such Person.

"Officer's Certificate" means a certificate signed on behalf of the Company by an Officer of the Company that meets the requirements set forth in Section 1.05 hereof.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company and who shall be reasonably acceptable to the Trustee, in form and substance satisfactory to the Trustee. Each such opinion shall include the statements provided for in TIA Section 314(e) to the extent applicable.

"Parent Guarantee" means the guarantee of the Guarantor of the Company's payment obligations under the Notes.

"Permitted Liens" means (i) Liens in favor of the Company; (ii) Liens with respect to or contemplated by the Security Agreement and the Subrogation Agreement; (iii) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith and diligently by appropriate

proceedings and which are not being foreclosed; (iv) statutory Liens of landlords and carriers', warehousemen's, mechanics', suppliers', materialmen's, repairmen's, or other like Liens with respect to amounts not yet delinquent or being contested in good faith and diligently by appropriate proceedings; and (v) any other Liens that (a) are not incurred in connection with the borrowing of money or the obtaining of advances or credit by the Company and (b) do not in the aggregate materially detract from the value of the property or materially impair the use thereof in the operation of business by the Company, and, in each case under this clause (v), are being contested in good faith and diligently by appropriate proceedings; provided, however, that, with respect to clauses (iv) and (v), to the extent any such Liens are on the Pledged Collateral, such Liens are removed or released within 60 days after the Company is notified of the existence thereof, or to the extent any such Liens are not on the Pledged Collateral, such Liens are removed or released within 120 days after the Company is notified of the existence thereof.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Phar-Mor" means Phar-Mor, Inc., a Pennsylvania corporation, including its successors.

"Phar-Mor Common Stock" means common stock, par value $0.01 per shares, of Phar-Mor, including any subdivision, combination or reclassification thereof.

"Pledged Collateral" has the meaning assigned to such term in the Security Agreement.

"Regular Dividend" means any regular quarterly cash dividend declared by Phar-Mor to all holders of Phar-Mor Common Stock, other than a quarterly cash dividend that exceeds the immediately preceding quarterly cash dividend by 10%.

"Responsible Officer", when used with respect to the Trustee, means any officer in the Corporate Trust Office of the Trustee and also means, with respect to a particular corporate trust matter, any other officer or employee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Security Agreement" means that certain Pledge and Security Agreement, dated as of the date hereof, among the Company, the Trustee, the Collateral Agent and Avatex, substantially in the form of Exhibit E hereto, as the same may be amended, amended and restated, supplemented or modified from time to time.

"Security Documents" means the Security Agreement and all related agreements, instruments, financing statements or other documents that set forth or limit the Lien of the Trustee in the Pledged Collateral.

"Subrogation Agreement" means that certain Subrogation Agreement, dated as of December 7, 1999, by and between Bart A. Brown, Jr., as trustee under Chapter 7 of Title 11 of the United States Code of FoxMeyer Corporation, FoxMeyer Drug Company, Healthcare Transportation System, Inc., Merchandise Coordinator Services Corporation, FoxMeyer Software, Inc. and Health Mart, Inc. and their respective estates, as their interests may appear, and the Trustee, as trustee under this Indenture and as Collateral Agent under the Security Agreement, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time.

"Subsidiary" means, with respect to any Person, (a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof) and (b) any partnership (i) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date on which this Indenture is qualified under the TIA.

"Trustee" means the party named as such above unless and until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means such successor.

"Trustee Note" has the meaning assigned to such term in the Subrogation Agreement.

"Xetava" means Xetava Corporation, a Delaware corporation and wholly-owned subsidiary of Avatex.

Section 1.02. Other Definitions.

Defined in

Term	Section
"Act"	1.07
"Definitive Note"	2.01(d)
"DTC"	2.03
"Event of Default"	6.01
"Extraordinary Dividend Offer"	3.10

"Extraordinary Dividend Proceeds"	3.10
"incur"	4.12
"Offer Amount"	3.10
"Offer Period"	3.10
"Paying Agent"	2.03
"Purchase Date"	3.10
"Registrar"	2.03

Section 1.03. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes;

"indenture security Holder" means a Holder of a Note;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the Notes means the Company and any successor obligors upon the Notes.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule under the TIA have the meanings so assigned to them.

Section 1.04. Rules of Construction.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular; and

(5) provisions apply to successive events and transactions.

Section 1.05. Compliance Certificates and Opinions.

(a) Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee, upon request by the Trustee, an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenant compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

(b) On each Interest Payment Date, the Company shall deliver to the

Trustee an Officer's Certificate substantially in the form attached hereto as Exhibit B.

(c) Every certificate or opinion (other than the certificates required by Section 4.05(a) hereof) with respect to compliance with a condition or covenant provided for in this Indenture shall comply with the provisions of TIA Section 314(e) and shall include:

(i) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of each such individual, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.06. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representation with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an Officer or Officers of the Company or the Guarantor stating that the information with respect to such factual matters is in the possession of the Company or the Guarantor, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.07. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to TIA Section 315) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any reasonable manner that the Trustee deems sufficient.

(c) The ownership of Notes shall be proved by a register kept by the Registrar.

(d) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of such Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. Notwithstanding TIA Section 316(c), any such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not more

than 30 days prior to the first solicitation of Holders generally in connection therewith and no later than the date such solicitation is completed.

If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Notes then outstanding have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for this purpose the Notes then outstanding shall be computed as of such record date; provided that no such request, demand, authorization, direction, notice, consent, waiver or other Act by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six (6) months after the record date.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act by the Holder of any Note shall bind every future Holder of the same Note or the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, suffered or omitted to be done by the Trustee, any Paying Agent or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

ARTICLE 2
THE NOTES

Section 2.01. Form and Dating.

(a) Form. The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto, the terms of which are incorporated in and made a part of this Indenture. The Notes may have notations, legends or endorsements approved as to form by the Company and required by law, stock exchange rule, agreements to which the Company is subject, or usage. Each Note shall be dated the date of its authentication. The Notes shall be issuable in registered form, without coupons, and only in denominations of $1.00 and integral multiples thereof.

(b) Global Notes. Notes may be issued in the form of one or more Global Notes, which shall be deposited on behalf of the Holders of the Notes represented thereby with the Trustee, as custodian of the Depository, and registered in the name of the Depository or a nominee of the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee as hereinafter provided.

Each Global Note shall represent such of the outstanding Notes as shall be specified therein, and each shall provide that it shall represent the aggregate amount of outstanding Notes from time to time endorsed thereon and that the aggregate amount of

outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, redemptions and transfers of interests. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee or the Note Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

Except as set forth in Section 2.06 hereof, any Global Note may be transferred, in whole and not in part, only to another nominee of the Depository or to a successor of the Depository or its nominee.

(c) Book-Entry Provisions. This Section 2.01(c) shall apply only to Global Notes deposited with or on behalf of the Depository.

The Company shall execute and the Trustee shall, in accordance with this Section 2.01(c), authenticate and deliver the Global Notes that (i) shall be registered in the name of the Depository or the nominee of the Depository and (ii) shall be delivered by the Trustee to the Depository or pursuant to the Depository's instructions or held by the Trustee as custodian for the Depository.

Participants who hold Notes through the Depository shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depository or by the Note Custodian as custodian for the Depository or under such Global Note, and the Depository may be treated by the Company, the Trustee and any Agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any Agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its participants, the operation of customary practices of such Depository governing the exercise of the rights of an owner of a beneficial interest in any Global Note.

(d) Definitive Notes. Notes to be issued in certificated form shall be substantially in the form of Exhibit A attached hereto (but without including the text referred to in footnotes 1 and 2 thereto) (any of such Notes, a "Definitive Note").

Section 2.02. Execution and Authentication.

One Officer of the Company shall sign the Notes for the Company by manual or facsimile signature. If an Officer of the Company whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual or facsimile signature of the Trustee. The signature of the Trustee shall be conclusive evidence that the Note has been authenticated under this Indenture. The form of Trustee's certificate of

authentication to be borne by the Notes shall be substantially as set forth in Exhibit A hereto.

The Notes shall be designated as the Company's "6.75% Notes due 2002" and are to be issued initially in connection with the Issuance upon the execution of this Indenture or otherwise in connection with the Issuance from time to time thereafter in an aggregate principal amount not to exceed $34,000,000. The Trustee shall, upon a written order of the Company signed by an Officer of the Company, authenticate Notes for original issue up to an aggregate principal amount stated in the preceding sentence and paragraph 4 of the Notes. The aggregate principal amount of Notes outstanding at any time shall not exceed such amount except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

Section 2.03. Registrar and Paying Agent.

The Company shall maintain (i) an office or agency where Notes may be presented for registration of transfer or for exchange (including any co-registrar, the "Registrar") and (ii) an office or agency where Notes may be presented for payment ("Paying Agent") or, at the option of the Company, payment of interest may be made by check mailed to the Holders at their respective addresses set forth in the register of Holders. The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-Registrars and one or more additional Paying Agents. The term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent, Registrar or co-Registrar without prior notice to any Holder. The Company shall notify the Trustee in writing and the Trustee shall notify the Holders of the name and address of any Agent not a party to this Indenture. The Company may act as Paying Agent, Registrar or co-Registrar. The Company shall

enter into an appropriate agency agreement with any Agent not a party to this Indenture, which shall be subject to any obligations imposed by the provisions of the TIA. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any such Agent. If the Company fails to maintain a Registrar or Paying Agent, or fails to give the foregoing notice, the Trustee shall act as such, and shall be entitled to appropriate compensation in accordance with Section 7.07 hereof.

The Company initially appoints The Depository Trust Company ("DTC") to act as Depository with respect to the Global Notes.

The Company initially appoints the Trustee as Registrar, Paying Agent and agent for service of notices and demands in connection with the Notes.

Section 2.04. Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all money held by the Paying Agent for the payment of principal of and interest on the Notes, and shall notify the Trustee of any Default by the Company in making any such payment. While any such Default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company) shall have no further liability for the money delivered to the Trustee. If the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent.

Section 2.05. Lists of Holders of the Notes.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven (7) Business Days before each interest payment date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders, including the aggregate principal amount of the Notes held by each thereof, and the Company shall otherwise comply with TIA Section 312(a).

Section 2.06. Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Depository, in accordance with this Indenture, the procedures of the Depository therefor and applicable securities laws. Beneficial interests in a Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Global Note. If any Holder of a beneficial interest in a Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon receipt by the Trustee of written instructions (or such other form of instructions as is customary for the Depository) from the Depository or its nominee on behalf of any Person having a beneficial interest in a Global Note, the Trustee shall cause the aggregate principal amount of such Global Note to be reduced accordingly pursuant to Section 2.06(e) hereof, and the Company shall execute and the Trustee shall authenticate and deliver a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to the preceding sentence shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depository.

(b) Transfer and Exchange of Definitive Notes. When Definitive Notes are presented to the Registrar with a request to register the transfer or to exchange them for an equal principal amount of Definitive Notes of other denominations, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met. A Holder of a Definitive Note

may exchange such Note for a beneficial interest in a Global Note or transfer such Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in a Global Note at any time. Upon receipt of a written request for such an exchange or transfer, the Trustee shall cancel the applicable Definitive Note pursuant to Section 2.11 hereof and increase or cause to be increased, in accordance with standing instructions and procedures existing between Note Custodian and the Depository, the aggregate principal amount of an outstanding Global Note pursuant to Section 2.06(e) hereof. If no Global Note is then outstanding, the Company shall issue and, upon receipt of an authentication order in accordance with Section 2.02 hereof, the Trustee shall authenticate a new Global Note in the appropriate principal amount. Any Definitive Note presented or surrendered for registration of transfer or exchange whether for another Definitive Note or for a beneficial interest in a Global Note pursuant to this Section 2.06(b) shall be duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar and the Trustee duly executed by the Holder thereof or by his attorney duly authorized in writing. To permit registrations of transfer and exchanges, the Company shall issue and the Trustee shall authenticate Notes at the Registrar's request, subject to such rules as the Trustee may reasonably require.

(c) Restrictions on Transfer and Exchange of Global Notes. Notwithstanding any other provision of this Indenture (other than the provisions set forth in subsection (f) of this Section 2.06), a Global Note may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(d) Authentication of Definitive Notes in Absence of Depository. If at any time:

(i) the Depository for the Notes notifies the Company that the Depository is unwilling or unable to continue as Depository for the Global Notes and a successor Depository for the Global Notes is not appointed by the Company within 90 days after delivery of such notice; or

(ii) the Company, at its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of Definitive Notes under this Indenture,

then the Company shall execute, and the Trustee shall, upon receipt of an authentication order in accordance with Section 2.02 hereof, authenticate and deliver, as directed by the

Company, appropriate Definitive Notes in an aggregate principal amount equal to the principal amount of the Global Notes in exchange for such Global Notes.

(e) Cancellation and/or Adjustment of Global Notes. At such time as all beneficial interests in Global Notes have been exchanged for Definitive Notes, redeemed, repurchased or cancelled, all Global Notes shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for Definitive Notes, redeemed, repurchased or cancelled, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note, by the Trustee or the Notes Custodian, at the direction of the Trustee, to reflect such reduction.

(f) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, subject to this Section 2.06, the Company shall execute and, upon the written order of the Company signed by an Officer of the Company, the Trustee shall authenticate Definitive Notes and Global Notes at the Registrar's request.

(ii) No service charge shall be made to any Holder for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than such transfer tax or similar governmental charge payable upon exchanges pursuant to Sections 2.10, 3.07 or 8.05 hereof, which shall be paid by the Company).

(iii) Neither the Company nor the Registrar shall be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(iv) All Definitive Notes and Global Notes issued upon any registration of transfer or exchange of Definitive Notes or Global Notes shall be the valid Obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Definitive Notes or Global Notes surrendered upon such registration of transfer or exchange.

(v) The Company and the Registrar shall not be required:

(A) to issue, to register the transfer of or to exchange Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under

Sections 3.01 and 3.02 hereof and ending at the close of business on the day of selection;

(B) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date; or

(C) to register the transfer of a Note other than in amounts of $1.00 or integral multiples thereof.

(vi) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes, and neither the Trustee, any Agent nor the Company shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Definitive Notes and Global Notes in accordance with the provisions of Section 2.02 hereof.

Section 2.07. Replacement Notes.

If any mutilated Note is surrendered to the Trustee, or the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Note and the ownership thereof, the Company shall issue and the Trustee, upon the written order of the Company signed by an Officer of the Company, shall authenticate a replacement Note if the Trustee's requirements for replacements of Notes are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the reasonable judgment of the Trustee and the Company to protect the Company, the Trustee, each Agent and each authenticating agent from any loss which any of them may suffer if a Note is replaced. The Company and the Trustee may charge the Holder for their expenses in replacing a Note.

Every replacement Note is an additional Obligation of the Company and shall be entitled to all of the benefits of this Indenture equally and ratably with all other Notes duly issued hereunder.

Section 2.08. Outstanding Notes.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.08 as not outstanding. If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding, subject to the provisions of applicable law to the contrary. If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding, and interest on it

ceases to accrue. Subject to Section 2.09 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note.

Section 2.09. Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, a Subsidiary of the Company or any Affiliate of the Company or any immediate family member of any such Affiliate shall be considered as though not outstanding, except that for purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which a Responsible Officer of the Trustee knows to be so owned shall be so considered. Notwithstanding the foregoing, Notes that are to be acquired by the Company or an Affiliate of the Company pursuant to an exchange offer, tender offer or other agreement shall not be deemed to be owned by such entity until legal title to such Notes passes to such entity.

Section 2.10. Temporary Notes.

Until Definitive Notes are ready for delivery, the Company may prepare, and upon the written order of the Company signed by an Officer of the Company, the Trustee shall authenticate, temporary Notes. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Company and the Trustee consider appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare, and the Trustee, upon receipt of the written order of the Company signed by an Officer of the Company, shall authenticate, Definitive Notes in exchange for temporary Notes. Until such exchange, temporary Notes shall be entitled to the same rights, benefits and privileges as Definitive Notes.

Section 2.11. Cancellation.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation. Subject to Section 2.07 hereof, the Company may not issue new Notes to replace Notes that it has redeemed or paid or that have been delivered to the Trustee for cancellation. All cancelled Notes held by the Trustee shall be destroyed and certification of their destruction delivered to the Company, unless by a written order, signed by an Officer of the Company, the Company shall direct that cancelled Notes be returned to it.

Section 2.12. Record Date.

The record date for purposes of determining the identity of Holders entitled to vote or consent to any action by vote or consent authorized or permitted under this Indenture shall be determined as provided for in TIA Section 316(c).

Section 2.13. CUSIP Number.

The Company in issuing the Notes may use a "CUSIP" number and, if it does so, the Trustee shall use the CUSIP number in notices of redemption or exchange as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP number printed in the notice or on the Notes and that reliance may be placed only on the other identification numbers printed on the Notes. The Company will promptly notify the Trustee of any change in the CUSIP number.

Section 2.14. Computation of Interest.

Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

ARTICLE 3
REDEMPTION AND PREPAYMENT

Section 3.01. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Notes pursuant to Section 3.08 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 45 but not more than 60 days prior to the redemption date fixed by it (unless a shorter notice period shall be satisfactory to the Trustee for its convenience), notify the Trustee pursuant to an Officer's Certificate of (i) such redemption date, (ii) the

principal amount of Notes to be redeemed and (iii) the clause of this Indenture pursuant to which the redemption shall occur.

If the Company elects to make an offer to purchase Notes pursuant to Section 3.10 hereof, it shall furnish to the Trustee, at least 45 days before the scheduled purchase date, an Officer's Certificate setting forth (i) the terms of the offer, (ii) the principal amount of Notes to be purchased, (iii) the purchase price, (iv) the purchase date and (v) further setting forth a statement to the effect that the Company has received an Extraordinary Dividend on the Pledged Collateral, including a brief description of such Extraordinary Dividend.

Section 3.02. Selection by Trustee of Notes to be Redeemed.

If less than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not so listed, on a pro rata basis, by lot or by such other method as the Trustee deems fair and appropriate.

The Trustee shall promptly notify the Company and the Registrar in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Note which has been or is to be redeemed.

Section 3.03. Notice of Redemption.

Notice of redemption shall be mailed by first class mail, postage prepaid, at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address or at the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed.

All notices of redemption shall state:

(a) the redemption date;

(b) the redemption price;

(c) if less than all Notes then outstanding are to be redeemed, the identification (and, in the case of a Note to be redeemed in part, the principal amount) of the particular Notes to be redeemed;

(d) that on the redemption date the redemption price will become due and payable upon each such Note or portion thereof, and that (unless the Company shall default in payment of the redemption price) interest thereon shall cease to accrue on or after said date;

(e) the place or places where such Notes are to be surrendered for payment of the redemption price;

(f) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(g) the CUSIP number, if any, relating to such Notes; and

(h) in the case of a Note to be redeemed in part, the principal amount of such Note to be redeemed and that after the redemption date upon surrender of such Note, a new Note or Notes in the aggregate principal amount equal to the unredeemed portion thereof will be issued.

Notice of redemption of Notes to be redeemed at the election of the Company shall be given by the Company or, at its request, by the Trustee in the name and at the expense of the Company.

Section 3.04. Effect of Notice of Redemption.

Once notice of redemption is given in accordance herewith, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

Section 3.05. Deposit of Redemption Price.

On or before 12:00 p.m. (New York City time) on any redemption date or the date on which Notes are to be accepted for purchase pursuant to Section 3.10 hereof, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 4.03 hereof) an amount of money in same day funds (or New York Clearing House funds if such deposit is made prior to the applicable redemption date) sufficient to pay the redemption price of, and accrued interest on, all the Notes or portions thereof which are to be redeemed on that date.

If Notes called for redemption or tendered in an Extraordinary Dividend Offer are paid or if the Company has deposited with the Trustee or Paying Agent money sufficient to pay the redemption or purchase price of, and unpaid and accrued interest on, all Notes to be redeemed or purchased, on and after the redemption or purchase date interest shall cease to accrue on the Notes or the portions of Notes called for redemption or tendered and not withdrawn in an Extraordinary Dividend Offer (regardless of whether certificates for such securities are actually surrendered). If a Note is redeemed or purchased on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption or tendered in an Extraordinary Dividend Offer shall not be so paid upon surrender because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal from the redemption or purchase date until such principal is paid.

Section 3.06. Notes Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Notes so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the Company shall default in the payment of the redemption price and accrued interest) such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with said notice, such Note shall be paid by the Company at the redemption price together with accrued interest to the redemption date.

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal thereof shall, until paid, bear interest from the redemption date at the rate borne by such Note.

Section 3.07. Notes Redeemed in Part.

Any Note which is to be redeemed only in part shall be surrendered at the office or agency of the Company maintained for such purpose pursuant to Section 4.02 hereof (with, if the Company, the Registrar or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company, the Registrar or the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and a new Note in principal amount equal to the unpurchased or unredeemed portion will be issued in the name of the Holder thereof upon cancellation of the original Note. On and after the purchase or redemption date, unless the Company defaults in payment of the purchase or redemption price, interest shall cease to accrue on Notes or portions thereof purchased or called for redemption.

Section 3.08. Optional Redemption.

(a) The Notes will be subject to redemption at any time at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' written notice, at a redemption price equal to 100% of principal amount of the Notes to be redeemed, together with accrued and unpaid interest thereon to the applicable redemption date.

(b) Any redemption pursuant to this Section 3.08 shall be made pursuant to the provisions of Sections 3.01 through 3.07 hereof.

Section 3.09. Mandatory Redemption.

The Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

Section 3.10. Option to Purchase Upon Extraordinary Dividend.

(a) In the event the Company receives an Extraordinary Dividend on account or in respect of the Pledged Collateral, the Company may use all or part of the proceeds of such Extraordinary Dividend (the "Extraordinary Dividend Proceeds") to make an offer to all Holders of Notes (the "Extraordinary Dividend Offer") to purchase Notes at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to the date of purchase, in accordance with the procedures set forth herein. If the aggregate principal amount of Notes surrendered by Holders in an Extraordinary Dividend Offer exceeds the amount of Extraordinary Dividends Proceeds being used in such Extraordinary Dividend Offer, the Trustee shall select the Notes to be purchased by the Company in such Extraordinary Dividend Offer on a pro rata basis.

(b) In the event that the Company elects to commence an Extraordinary Dividend Offer, it shall follow the procedures specified below.

An Extraordinary Dividend Offer shall remain open for a period of at least 20 Business Days following its commencement (the "Offer Period"). No later than five (5) Business Days after the termination of the Offer Period (the "Purchase Date"), the Company shall purchase the principal amount of Notes that the Company offered to purchase pursuant to an Extraordinary Dividend Offer (the "Offer Amount") or, if less than the Offer Amount has been tendered, all Notes tendered in response to such Extraordinary Dividend Offer. Payment for any Notes so purchased shall be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest shall be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest shall be payable to Holders who tender Notes pursuant to the Extraordinary Dividend Offer.

Upon the commencement of an Extraordinary Dividend Offer, the Company shall send, by first class mail, a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Extraordinary Dividend Offer. The Extraordinary Dividend Offer shall be made to all Holders. The notice, which shall govern the terms of an Extraordinary Offer, shall state:

(i) that the Extraordinary Dividend Offer is being made pursuant to this Section 3.10 and the length of time the Extraordinary Dividend Offer shall remain open;

(ii) the Offer Amount, the purchase price and the Purchase Date;

(iii) that any Note not tendered or accepted for payment shall continue to accrue interest;

(iv) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Extraordinary Dividend Offer shall cease to accrue interest after the Purchase Date;

(v) that Holders electing to have a Note purchased pursuant to any Extraordinary Dividend Offer shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Company, a depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three (3) days before the Purchase Date;

(vi) that Holders shall be entitled to withdraw their election if the Company, the depositary or the Paying Agent, as the case may be, receives,

not later that the expiration of the Offer Period, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(vii) that, if the aggregate principal amount of Notes surrendered by Holders exceeds the Offer Amount, the Trustee shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of $1.00 or integral multiples thereof, shall be purchased); and

(viii) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Company shall, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Extraordinary Dividend Offer, or if less than the Offer Amount has tendered, all Notes tendered, and shall deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.10. The Company, the Depository or the Paying Agent, as the case may be, shall promptly (but in any case not later than five (5) Business Days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company shall promptly issue a new Note, and the Trustee, upon written request from the Company shall authenticate and mail or deliver such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof.

Other than as specifically provided in this Section 3.10, any purchase pursuant to this Section 3.10, shall be made pursuant to the provisions of Sections 3.01 through 3.07 hereof.

ARTICLE 4
COVENANTS

Section 4.01. Payment of Principal and Interest.

The Company shall pay or cause to be paid the principal of and interest on the Notes on the dates and in the manner provided in the Notes. Principal and interest shall be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 12:00 p.m. (New York City time) on the due date

money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal and interest then due.

Section 4.02. Maintenance of Office or Agency.

The Company will maintain an office or agency where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes, and may from time to time rescind such designation; provided, however, that no such designation or recession shall in any manner relieve the Company of its obligation to maintain an office or agency for such purposes. The Company will give prompt written notice to the Trustee of any such designation or recession and any change in the location of any such office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03 hereof.

Section 4.03. Money for Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of or interest on any of the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for the Notes, it will, on or before each due date of the principal of or interest on any Notes, deposit with a Paying Agent a sum in same day funds (or New York Clearing House funds if such deposit is made prior to the date on which such deposit is required to be made) sufficient to pay the principal or interest so becoming due (or at the option of the Company, payment of interest may be mailed by check to the Holders of the Notes at their respective addresses set forth in the register of Holders of Notes; provided that all payments with respect to Notes represented by one or more permanent Global Notes will be paid by wire transfer of immediately available funds to the account of the Depository or any successor thereto) such sum to be held in trust for the benefit of the Persons

entitled to such principal or interest and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of such action or any failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(a) hold all sums held by it for the payment of the principal of or interest on Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee notice of any default by the Company (or any other obligor upon the Notes) in the making of any payment of principal or interest;

(c) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent; and

(d) acknowledge, accept and agree to comply in all respects with the provisions of this Indenture relating to the duties, rights and obligations of such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or interest on any Note and remaining unclaimed for two (2) years after such principal or interest has become due and payable shall be paid to the Company at the request of the Company or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company (i) cause to be published once, in The New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company, and (ii) cause notice to be promptly sent to each Holder that such money remains unclaimed and that, after a date

specified therein, which shall not be less than 30 days from the date of such notification, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 4.04. Reports.

(a) As long as any Notes are outstanding, the Company shall furnish to the Trustee copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) which the Company is required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information documents or reports pursuant to either of such sections, then to furnish to the Trustee and file with the Commission, in accordance with rules and regulations prescribed by the Commission, any such supplementary and periodic information, documents, and reports which may be required pursuant to Section 13 of the Exchange Act, in respect of a security listed and registered on a national securities exchange as may be prescribed in such rules and regulations.

(b) In addition to complying with Section 4.04(a), the Company shall at all times comply with TIA Section 314(a), as applicable.

Section 4.05. Statement as to Compliance; Notice of Default.

(a) The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year ending after the date of this Indenture, an Officer's Certificate stating whether, to such Officer's knowledge, the Company is in compliance with all covenants and conditions to be complied with by it under this Indenture, and further stating, as to the Officer signing such certificate, that to the best of his or her knowledge each entity is not in default in the performance or observance of any terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto. For purposes of this Section 4.05, such compliance shall be determined without regard to any period of grace or requirement of notice under this Indenture.

(b) The Company shall, so long as any of the Notes are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officer's Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

Section 4.06. Payment of Taxes and Other Claims.

The Company shall pay prior to delinquency, all material taxes, assessments, and governmental levies, except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

Section 4.07. Stay, Extension, Usury Laws.

The Company and the Guarantor covenant (to the extent that they may lawfully do so) that they shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law whatever enacted, now or at any time hereafter in force, that may affect that covenants or the performance of this Indenture; and the Company and the Guarantor (to the extent that they may lawfully do so) hereby waive all benefit or advantage of any such law, and covenants that they shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.08. Corporate Existence; Corporate Actions.

(a) Subject to Articles 5 and 10 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company.

(b) The Company will engage only in acts or activities, directly or indirectly, arising from, provided or necessitated by, resulting from, in connection with or otherwise incidental or related to the following:

(i) subject to Section 3.10 hereof and paragraph (f) below, accepting, owning and holding the entire beneficial interest in the Pledged Collateral or any other contributions to the capital of the Company as long as such contributions have no associated liabilities;

(ii) entering into this Indenture and the Security Agreement (or any amendment hereto or thereto);

(iii) complying with, and performing any and all of the Company's obligations under, contemplated or necessitated by or in connection with, this Indenture, the Notes, the Issuance, the Security Agreement, the Merger Agreement, the Merger, the Subrogation Agreement or the Trustee Note;

(iv) subject to Section 3.10 hereof and paragraph (f) below, investing the proceeds derived from the ownership of the Pledged

Collateral or any other assets contributed to the Company, but only in bank certificates of deposit, money market instruments or securities issued by the United States government or its agencies or instrumentalities (as long as such certificates of deposit, money market instruments or securities mature prior to December 7, 2002);

(v) executing, delivering and performing any agreement evidencing, necessitated by or in connection with any and all of the foregoing or any and all of the activities and powers referred to in clause (vi) below; and

(vi) engaging in any lawful act or activity and to exercise powers permitted to a corporation organized under the General Corporation Law of the State of Delaware that, in each case, are incidental to the foregoing or necessary to accomplish the foregoing.

(c) Notwithstanding any provision of the Company's Certificate of Incorporation and any provision of law that otherwise so empowers the Company, the Company shall not (i) engage in any business or activity other than as described in Section 4.08 or its Certificate of Incorporation and matters necessarily incident thereto; (ii) increase or reclassify the Capital Stock of the Company or issue any additional shares of Capital Stock of the Company; or (iii) delete, amend, supplement or otherwise modify any provision of its Certificate of Incorporation, or delete, amend, supplement or otherwise modify any provision of its By-laws to frustrate the provisions of its Certificate of Incorporation.

(d) The Company shall at all times:

(i) not become involved in the day-to-day management of any other Person;

(ii) maintain corporate records, books of account and payroll (if any) separate from any other Person;

(iii) maintain financial statements, books and records separate from any other Person and insure that any consolidated financial statements that include the Company have notes clearly stating that the Company is a separate corporate entity;

(iv) maintain its assets separately from the assets of any other Person (including through the maintenance of a separate bank account);

(v) conduct all business correspondence of the Company and other communications in the Company's own name;

(vi) not act as an agent of any other Person in any capacity; and

(vii) separately manage the Company's liabilities from those of any other Person.

(e) The Company shall not declare or pay any dividend or make any other payment or distribution on account or in respect of the Company's Capital Stock.

(f) Notwithstanding anything to the contrary in this Indenture, the Security Agreement or the Company's Certificate of Incorporation, the Company shall be able to use the proceeds derived from its ownership of the Pledged Collateral, including, but not limited to, the proceeds of any Regular Dividend or Extraordinary Dividend made on account or in respect of the Pledged Collateral, and the proceeds of any contributions to the capital of the Company, to pay or cause to be paid the principal of and interest on the Notes in the manner provided herein and the Notes or to purchase, redeem or otherwise acquire or retire the Notes; provided, however, that, in the event that the proceeds of any Extraordinary Dividend exceed $2.3 million, the Company may not use more than the greater of $2.3 million and 50% of such Extraordinary Dividend to pay or cause to be paid interest on the Notes. Section 4.09. Limitation on Incurrence of Indebtedness.

The Company shall not, create, incur, issue, assume, guarantee or otherwise become, directly or indirectly, liable, contingently or otherwise, with respect to (collectively, "incur") any indebtedness or liability.

Notwithstanding the foregoing, the Company may incur the following:

(a) indebtedness or liabilities of the Company under, arising from or otherwise with respect to or in connection with, or otherwise incurred by the Company in connection with the consummation of any of the transactions contemplated by, or otherwise to comply with, the Notes, this Indenture, the Officer's Certificate to be delivered pursuant to Section 1.05(b) hereof, the Security Agreement and the Trustee Note (as contemplated by the Subrogation Agreement), in each case, after December 7, 1999;

(b) indebtedness or liabilities arising after December 7, 1999 from the fees and expenses of, or payable or paid to, (i) the Trustee or the Collateral Agent, and (ii) the Company's outside counsel or accountants or other outside agents or representatives, to the extent it is necessary or reasonably advisable to engage any such person in connection with the Company's interpreting, complying with (including, but not limited to, complying with any applicable law, rule or regulation), or otherwise consummating any of the transactions contemplated by, this Indenture, the Officer's Certificate to be delivered pursuant to Section 1.05(b) hereof, the Notes, the Security Agreement, the Subrogation Agreement or the Trustee Note; and

(c) indebtedness or liabilities on account of incidentals or administrative services supplied or furnished to the Company (including, but not limited

to, bank and brokerage fees) in an aggregate amount per calendar year not to exceed $7,500.

Section 4.10. Limitations on Liens.

The Company shall not, directly or indirectly, create, incur, assume or suffer to exist any Lien on any asset or property now owned or hereafter acquired by the Company, except Permitted Liens.

ARTICLE 5
SUCCESSORS

Section 5.01. Merger, Consolidation, or Sale of Assets.

Without the consent of the Holders of at least 66-2/3% in principal amount of Notes then outstanding, the Company shall not, in one or more related transactions, consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets to, or sell, transfer or dispose of any of its Capital Stock to, another Person. In the event the requisite approval for any transaction described in the foregoing sentence is obtained, (a) upon consummation of any such transaction, the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made, assumes all the Obligations of the Company under the Notes and this Indenture pursuant to a supplemental indenture

in a form reasonably satisfactory to the Trustee, (b) immediately after any such transaction no Default or Event of Default shall exist, and (c) upon consummation of any such transaction, the Company delivers an Officer's Certificate and an Opinion of Counsel to the Trustee, stating (A) that the proposed transaction and the supplemental indenture comply with the Indenture and (B) that the Trustee shall be entitled to conclusively rely upon such Officer's Certificate and Opinion of Counsel.

Section 5.02. Successor Corporation Substituted.

Upon any permitted consolidation or merger, or any sale, assignment, transfer, lease or conveyance or other disposition of all or substantially all of the assets of, transfer or other disposition of any of the Capital Stock of, the Company in accordance with Section 5.01 hereof, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to such successor) and may exercise every right and power of the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; provided, however, that the predecessor Company shall not be relieved from the obligation to pay the principal of and interest on the Notes,

except in the case of a sale or other disposition of all or substantially all of the Company's assets that meets the requirements of Section 5.01 hereof.

ARTICLE 6
DEFAULTS AND REMEDIES

Section 6.01. Events of Default and Notice Thereof.

Each of the following constitutes an "Event of Default":

(a) default for 15 days in the payment when due of interest on the Notes;

(b) default for 5 days in payment when due of the principal on the Notes;

(c) failure by the Company or the Guarantor, as applicable, to comply with the provisions of Section 4.09, 4.10, 5.01 or 10.03 hereof;

(d) failure by the Company for 21 days after written notice to comply with any of its other covenants or agreements in this Indenture, the Notes or the Security Agreement (including any failure to provide the Collateral Agent, for the benefit of the Holders of the Notes, with a continuing first-priority Lien on the Pledged Collateral), or the failure, after 21 days written notice thereof, of any of the representations or warranties in the Security Agreement to be true and correct in all material respects;

(e) failure by the Guarantor to perform any covenant set forth in the Parent Guarantee, or the repudiation by the Guarantor of its obligations under the Parent Guarantee or the unenforceability of the Parent Guarantee against the Guarantor for any reason, unless, in each such case, the Guarantor has no indebtedness for borrowed money outstanding at such time or at any time thereafter;

(f) the Company pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(iv) makes a general assignment for the benefit of its creditors, or

(v) generally is not paying its debts as they become due; and

(g) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company in an involuntary case;

(B) appoints a Custodian of the Company for all or substantially all of the property of the Company; or

(C) orders the liquidation of the Company; and the order or decree remains unstayed and in effect for 60 consecutive days.

Section 6.02. Acceleration.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default specified in clause (f) or (g) of Section 6.01 hereof with respect to the Company, all outstanding Notes will become due and payable without further action or notice. Holders of the Notes may not enforce this Indenture or the Notes except as provided in this Indenture.

Section 6.03. Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may, or may direct the Collateral Agent to, pursue any available remedy to collect the payment of principal and interest on the Notes or to enforce the performance of any provision of the Notes, this Indenture or the Security Agreement.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee, the Collateral Agent or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04. Waiver of Past Defaults.

The Holders of a majority in aggregate principal amount of the Notes then outstanding, by notice to the Trustee and the Collateral Agent, may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under this Indenture, except a continuing Default or Event of Default in the payment of interest on, or principal of, the Notes, and except in connection with a purchase of, or a tender offer or exchange offer for, the Notes. Notwithstanding the foregoing, the consent of Holders of at least 66-2/3% in principal amount of the Notes

then outstanding (excluding, as part of such 66-2/3%, consents obtained in connection with a purchase of, or a tender offer or exchange offer for, the Notes) shall be required for any waiver of any existing Default or Event of Default with respect to the Company's non-compliance with Section 4.08, 4.09, 4.10 or 5.01 hereof. The Trustee may withhold from Holders of the Notes and from the Collateral Agent notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in such Holders' interest.

Section 6.05. Control by Majority.

The Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or the Collateral Agent or exercising any trust or power conferred on it, including the exercise of any remedy under the Security Agreement. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that would be likely to subject the Trustee to personal liability, as determined by the Trustee's independent counsel in a written opinion. The Trustee may take any other action which it deems proper which is not inconsistent with any such direction.

Section 6.06. Limitation on Suits.

No Holder of a Note will have any right to institute any proceeding with respect to this Indenture or for any remedy hereunder, unless (i) such

Holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to the Notes, (ii) the Holders of at least 25% in aggregate principal amount of the Notes then outstanding shall have made written request to the Trustee to institute such proceeding, and (iii) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Notes then outstanding a direction inconsistent with such request and shall have failed to institute (or commit to institute as soon as possible) such proceeding within 15 days.

Section 6.07. Rights of Holders of Notes to Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal of and interest on any Note, on or after the respective due dates expressed in any Note, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.08. Collection Suit by Trustee.

If an Event of Default specified in Section 6.01(a) or (b) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of and interest remaining unpaid on the Notes and, to the extent lawful, such further amount as

shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09. Trustee May File Proofs of Claim.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Company, the Guarantor or any other obligor upon the Notes, and their respective creditors or property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims, and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, as administrative expenses associated with any such proceeding, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10. Priorities.

If the Trustee collects any money pursuant to this Article 6, it shall pay out the money, subject to Article 9 hereof and Section 16 of the Security Agreement, in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for interest and then principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for interest and principal, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE 7
TRUSTEE

Section 7.01. Duties of Trustee.

(a) If an Event of Default shall occur (which shall not be cured), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(1) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, provided, that the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c), (e) and (f) of this Section 7.01 and Section 7.02 hereof.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request or direction of any of the Holders unless the Holders shall have offered to the Trustee security and indemnity reasonably satisfactory to it against any loss, liability or expense.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.02. Rights of Trustee.

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereof in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Notes unless such Holders of Notes shall have offered to the Trustee security or indemnity reasonably satisfactory to it against any loss, liability or expense.

Section 7.03. Individual Rights of Trustee.

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as trustee or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

Section 7.04. Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture, the Notes or the Security Documents, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the direction of the Company under any provision of this Indenture or of the Security Agreement, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document furnished or issued in connection with the sale of the Notes other than its certificate of authentication.

Section 7.05. Notice of Defaults.

If a Default or Event of Default occurs and is continuing and if it is actually known to the Trustee, the Trustee shall mail to the Collateral Agent and to the Holders of Notes a notice of the Default or Event of Default within 30 days after it occurs. If a Default or Event of Default has occurred and is cured and such cure is actually known to the Trustee, the Trustee shall mail to the Collateral Agent and the Holders of Notes a notice of such cure within seven (7) days after it occurs. Except in the case of a Default or Event of Default in payment of principal of or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible

Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section 7.06. Reports by Trustee to Holders of the Notes.

Within 60 days after each May 15 beginning with the May 15 following the Closing Date, and for so long as Notes remain outstanding, the Trustee shall mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA Section 313(a) (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA Section 313(c).

A copy of each report at the time of its mailing to the Holders of Notes shall be mailed to the Company and filed with the Commission and each stock exchange on which the Notes are listed in accordance with TIA Section 313(d). The Company shall promptly notify the Trustee when the Notes are listed on any stock exchange.

Section 7.07. Compensation and Indemnity.

The Company shall pay to the Trustee, from time to time as may be agreed upon between them, reasonable compensation for its acceptance of this Indenture and services hereof. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company shall indemnify and hold harmless the Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture or the Security Documents against the Company (including this Section 7.07) and defending itself against any claim (whether asserted by the Company or any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder or under the Security Documents, except to the extent any such loss, liability or expense may be attributable to its negligence, willful misconduct or bad faith. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee shall reasonably cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The obligations of the Company under this Section 7.07 shall survive the satisfaction and discharge of this Indenture.

To secure the Company's payment obligations in this Section 7.07, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default specified in Section 6.01(f) or (g) hereof, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

The Trustee shall comply with the provisions of TIA Section 313(b)(2) to the extent applicable.

Section 7.08. Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

The Trustee may resign in writing at any time and be discharged from

the trust hereby created by so notifying the Company. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10 hereof;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee that meets the eligibility requirements in Section 7.10 below. At any time, within one (1) year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of at

least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Note who has been a Holder of a Note for at least six (6) months (or such shorter period during which the Notes have been outstanding), fails to comply with Section 7.10 hereof, such Holder of a Note may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee, to the Company and to the Collateral Agent. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of the Notes and to the Collateral Agent. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the retiring Trustee have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 hereof shall continue for the benefit of the retiring Trustee.

Section 7.09. Successor Trustee by Merger, Etc.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business (including the trust created by this Indenture) to, another corporation, the successor corporation without any further act shall be the successor Trustee.

Section 7.10. Eligibility; Disqualification.

There shall at all times be a Trustee hereof and a Collateral Agent under the Security Agreement that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has, or is a wholly owned subsidiary of a bank holding company that has, a combined capital and surplus of at least $500 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1), (2) and (5). The Trustee is subject to TIA Section 310(b).

Section 7.11. Preferential Collection of Claims Against the Company.

The Trustee is subject to TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

Section 7.12. Rights of Holders with Respect to Time, Method and Place.

Subject to the limitations of Article 6 and 7 of this Indenture, a majority in principal amount of the then outstanding Notes issued hereunder shall have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee.

ARTICLE 8
AMENDMENT, SUPPLEMENT AND WAIVER

Section 8.01. Without Consent of Holders of Notes.

Notwithstanding Section 8.02 hereof, without the consent of any Holder of Notes, the Company, the Guarantor (with respect to the Parent Guarantee or this Indenture to which it is a party) and the Trustee may amend or supplement this Indenture, the Notes, the Parent Guarantee or the Security Documents:

(a) to cure any manifest error, defect or inconsistency;

(b) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(c) to comply with Article 10 hereof;

(d) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any such Holder;

(e) to comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA; or

(f) to enter into additional or supplemental Security Documents.

Upon the written request of the Company accompanied by a Board Resolution authorizing the execution of any such amended or supplemental Indenture or Security Documents, and upon receipt by the Trustee of the documents described in Section 8.06 hereof the Trustee shall join with the Company and the Guarantor, if necessary, in the execution of any amended or supplemental Indenture authorized or permitted by the terms of this Indenture or the Security Documents and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Section 8.02. With Consent of Holders of Notes.

Except as provided in the proviso included in this paragraph and as otherwise provided below in this Section 8.02, this Indenture, the Notes, the Parent

Guarantee issued hereunder and the Security Documents may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (excluding, as part of such majority, consents obtained in connection with a purchase of, or a tender offer or exchange offer for, the Notes), and, subject to Sections 6.02, 6.04 and 6.07 hereof, any existing default or compliance with any provision of this Indenture, the Notes, the Parent Guarantee or the Security Documents may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (excluding consents obtained in connection with a tender offer or exchange offer for the Notes); provided, however, that the consent of the Holders of at least 66-2/3% in principal amount of the Notes then outstanding (excluding, as part of such 66-2/3%, consents obtained in connection with a purchase of, or a tender offer or exchange offer for, the Notes) shall be required for any amendment or supplement of, or waiver of any existing Default or compliance with any provisions of, Section 4.08, 4.09, 4.10 or 5.01 hereof.

Upon the request of the Company accompanied by a Board Resolution authorizing the execution of any such amended or supplemental Indenture or Security Documents, and upon the filing with the Trustee of evidence

satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 8.06 hereof to the extent requested by the Trustee, the Trustee shall join with the Company and the Guarantor in the execution of such amended or supplemental Indenture or Security Document unless such amended or supplemental Indenture or Security Document affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental Indenture or Security Documents.

The consent of the Holders is not necessary under this Section 8.02 to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Neither the Company nor any of its Affiliates shall, directly or indirectly, pay or cause to be paid any consideration to any Holder of Notes for or as an inducement to, or in connection with the solicitation of, any consent, waiver or amendment of any terms of this Indenture, the Security Agreement or the Notes, unless such consideration is required to be paid to all Holders bound by such consent, waiver or amendment whether or not such Holders so consent, waive or agree to amend or tender.

After an amendment, supplement or waiver under this Section 8.02 becomes effective, the Company shall mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture, the Notes or the Parent Guarantee, or

the Security Documents. However, without the consent of each Holder affected, an amendment or waiver may not (with respect to any Note or the Parent Guarantee held by a non-consenting Holder):

(i) reduce the principal amount of the Notes whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes;

(iii) reduce the rate of or change the time for payment of interest on any Note;

(iv) waive a Default or Event of Default in the payment of principal of or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(v) make any Note payable in money other than that stated in such Notes;

(vi) make any change in Section 6.04 or Section 6.07 hereof;

(vii) except as provided under Article 10 or in accordance with the terms of the Parent Guarantee, release the Guarantor from its obligations under the Parent Guarantee, or make any change in the Parent Guarantee that would adversely affect the Holders of the Notes;

(viii) make any change in the amendment and waiver provisions of this Article 8; or

(ix) release any portion of the Pledged Collateral from the Lien of this Indenture or the Security Documents, except as contemplated by this Indenture or the Security Documents.

Section 8.03. Compliance With TIA.

Every amendment or supplement to this Indenture or the Notes shall be set forth in an amended or supplemental Indenture that complies with the TIA as then in effect.

Section 8.04. Revocation and Effect of Consents.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the

consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Section 8.05. Notation on or Exchange of Notes.

The Trustee may, but shall not be required to, place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

Section 8.06. Trustee to Sign Amendments, Etc.

The Trustee shall sign any amended or supplemental Indenture or Security Agreement authorized pursuant to this Article 8 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amendment or supplemental Indenture or Security Document until the Board of Directors approves it. In signing or refusing to sign any amended or supplemental Indenture or Security Document the Trustee shall be entitled to receive and (subject to Section 7.01 hereof) shall be fully protected in relying upon an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental Indenture or Security Document is authorized or permitted by this Indenture and that it is not inconsistent herewith.

ARTICLE 9
COLLATERAL AND SECURITY

Section 9.01. Security Agreement.

The due and punctual payment of the principal of and interest on the Notes when and as the same shall be due and payable, whether on an interest payment date, at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes and performance of all other obligations of the Company to the Holders of Notes or the Trustee under this Indenture and the Notes, according to the terms hereunder or thereunder, shall be secured to the extent provided in the Security Agreement. Each Holder of Notes, by its acceptance thereof, consents and agrees to the terms of the Security Agreement (including, without limitation, the provisions providing for foreclosure and release of Pledged Collateral (as defined in the Security Agreement)) as the same may be in effect or may be amended from time to time in accordance with its terms and authorizes and directs the Collateral Agent to enter into the Security Agreement and to perform its obligations and exercise its rights thereunder in accordance

therewith. The Company shall deliver or cause to be delivered to the Trustee copies of all documents delivered to the Collateral Agent pursuant to the Security Agreement, and shall do or cause to be done all such acts and things as may be necessary or proper, or as may be required by the provisions of the Security Agreement, to assure and confirm to the Trustee and the Collateral Agent the security interest in the Pledged Collateral contemplated hereby, by the Security Agreement or any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of this Indenture and of the Notes secured hereby, according to the intent and purposes herein expressed. The Company shall take upon request of the Trustee or the Collateral Agent, any and all actions reasonably required to cause the Security Agreement to create and maintain, as security for the Obligations of the Company hereunder, a valid and enforceable perfected first priority Lien in and on all the Pledged Collateral, in favor of the Collateral Agent for the benefit of the

Holders of Notes, superior to and prior to the rights of all third Persons and subject to no Liens other than Permitted Liens.

Section 9.02. Recording and Opinions.

(a) The Company shall furnish to the Trustee and the Collateral Agent simultaneously with the execution and delivery of this Indenture an Opinion of Counsel either (i) stating that in the opinion of such counsel all action has been taken with respect to the recording, registering and filing of this Indenture, financing statements or other instruments necessary to make effective the Lien intended to be created by the Security Agreement, and reciting with respect to the security interests in the Pledged Collateral, the details of such action, or (ii) stating that, in the opinion of such counsel, no such action is necessary to make such Lien effective.

(b) The Company shall furnish to the Collateral Agent and the Trustee on December 1, in each year beginning with December 1, 2000, an Opinion of Counsel, dated as of such date, either (i)(A) stating that, in the opinion of such counsel, action has been taken with respect to the recording, registering, filing, re-recording, re-registering and re-filing of all supplemental indentures, financing statements, continuation statements or other instruments of further assurance as is necessary to maintain the Lien of the Security Agreement and reciting with respect to the security interests in the Pledged Collateral the details of such action or referring to prior Opinions of Counsel in which such details are given, or (B) stating that, based on relevant laws as in effect on the date of such Opinion of Counsel, all financing statements and continuation statements have been executed and filed that are necessary as of such date and during the succeeding 12 months fully to preserve and protect, to the extent such protection and preservation are possible by filing, the rights of the Holders of Notes and the Collateral Agent and the Trustee hereunder and under the Security Agreement with respect to the security interests in the Pledged Collateral, or (ii) stating that, in the opinion of such counsel, no such action is necessary to maintain such Lien and assignment.

(c) The Company shall otherwise comply with the provisions of TIA ss. 314(b).

Section 9.03. Release of Collateral.

(a) Subject to subsection (b) of this Section 9.03, Pledged Collateral may be released from the Lien and security interest created by the Security Agreement at any time or from time to time in accordance with the provisions of the Security Agreement or as provided hereby.

(b) The release of any Pledged Collateral from the terms of this Indenture and the Security Agreement shall not be deemed to impair the security under this Indenture in contravention of the provisions hereof if and to the extent the Pledged Collateral is released pursuant to the terms of the Security Agreement. To the extent applicable, the Company shall cause TIA ss. 313(b), relating to reports, and TIA ss. 314(d), relating to the release of property or securities from the Lien and security interest of the Security Agreement and relating to the substitution therefor of any property or securities to be subjected to the Lien and security interest of the Security Agreement, to be complied with. The Trustee shall comply (to the extent required) with TIA ss.ss. 313(b)(1) and 313(d). Any certificate or opinion required by TIA ss. 314(d) may be made by an Officer of the Company except in cases where TIA ss. 314(d) requires that such certificate or opinion be made by an independent Person, which Person shall be an independent engineer, appraiser or other expert selected or approved by the Trustee and the Collateral Agent in the exercise of reasonable care.

Section 9.04. Certificates of the Company.

(a) The Company shall furnish to the Trustee and the Collateral Agent, prior to each proposed release of Pledged Collateral pursuant to the Security Agreement, (i) all documents required by TIA ss. 314(d) and (ii) an Opinion of Counsel, which shall be rendered by outside counsel to the Company, to the effect that such accompanying documents constitute all documents required by TIA ss. 314(d). The Trustee may, to the extent permitted by Sections 7.01 and 7.02 hereof, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents and such Opinion of Counsel.

Section 9.05. Certificates of the Trustee.

In the event that the Company wishes to release Pledged Collateral in accordance with the Security Agreement and has delivered the certificates and documents required by the Security Agreement and Section 9.04 hereof, the Trustee, based on the Opinion of Counsel delivered pursuant to Section 9.04(b), shall deliver a certificate to the Collateral Agent setting forth such determination.

Section 9.06. Authorization of Actions to be Taken by the Trustee under the Security Agreement.

Subject to the provisions of Section 7.01 and 7.02 hereof, the Trustee may, in its sole discretion and without the consent of the Holders of Notes, direct, on behalf of

the Holders of Notes, the Collateral Agent to take all actions it deems necessary or appropriate in order to (a) enforce any of the terms of the Security Agreement and (b) collect and receive any and all amounts payable in respect of the Obligations of the Company hereunder. The Trustee shall have the power to, or direct the Collateral Agent to, institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Pledged Collateral by any acts that may be unlawful or in violation of the Security Agreement or this Indenture, and such suits and proceedings as the Trustee or the Collateral Agent may deem expedient to preserve or protect its interests and the interests of the Holders of Notes in the Pledged Collateral (including the power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Holders of the Notes, the Trustee or the Collateral Agent).

Section 9.07. Authorization of Receipt of Funds by the Trustee Under the Security Agreement.

The Trustee is authorized to receive any funds for the benefit of the Holders of Notes distributed under the Security Agreement, and to make further distribution of such funds to the Holders of Notes according to the provisions of this Indenture.

Section 9.08. Termination of Security Interest.

Upon the payment in full of (a) all Obligations of the Company under this Indenture and the Notes and (b) all fees and expenses due to the Trustee under this Indenture, the Trustee shall, at the request of the Company, deliver a certificate to the Collateral Agent stating that such Obligations have been paid in full, and instruct the Collateral Agent to release the Liens pursuant to this Indenture and the Security Agreement.

ARTICLE 10
GUARANTEE OF NOTES

Section 10.01. Parent Guarantee.

Subject to Section 10.04 hereof, the Guarantor hereby unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes held thereby and the Obligations of the Company hereunder and thereunder, that: (a) the principal of and interest on the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal on the Notes, and all other payment Obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full and performed, all in accordance

with the terms hereof and thereof; and (b) in case of any extension of time of payment or renewal of any Notes or any of such other Obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration, redemption or otherwise. Failing payment when so due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantor will be obligated to pay the same immediately. An Event of Default under this Indenture or the Notes shall constitute an event of default under the

Parent Guarantee, and shall entitle the Holders to accelerate the Obligations of the Guarantor hereunder in the same manner and to the same extent as the Obligations of the Company. The Guarantor hereby agrees that its Obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Parent Guarantee will not be discharged except by complete performance of the Obligations contained in the Notes and this Indenture. If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantor, or any Custodian, trustee, liquidator or other similar official acting in relation to either the Company or the Guarantor, any amount paid by the Company or the Guarantor to the Trustee or such Holder, the Parent Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. The Guarantor agrees that it shall not be entitled to, and hereby waives, any right of subrogation in relation to the Holders in respect of any Obligations guaranteed hereby. The Guarantor further agrees that, as between the Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (i) the maturity of the Obligations guaranteed hereby may be accelerated as provided in Article 6 hereof for the purposes of the Parent Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed thereby, and (ii) in the event of any declaration of acceleration of such Obligations as provided in Article 6 hereof, such Obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantor for the purpose of the Parent Guarantee.

Section 10.02. Execution and Delivery of Parent Guarantee.

To evidence the Parent Guarantee set forth in Section 10.01 hereof, the Guarantor hereby agrees that a notation of the Parent Guarantee substantially in the form of Exhibit C hereto shall be endorsed by manual or facsimile signature by an Officer of the Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture shall be executed on behalf of the Guarantor, by manual or facsimile signature, by an officer of the Guarantor.

The Guarantor hereby agrees that the Parent Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Parent Guarantee.

If an Officer whose signature is on this Indenture or on the Parent Guarantee no longer holds that office at the time the Trustee authenticates the Note on which the Parent Guarantee is endorsed, the Parent Guarantee shall be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Parent Guarantee set forth in this Indenture on behalf of the Guarantor.

Section 10.03. Guarantor May Consolidate, Etc., on Certain Terms.

(a) Except as set forth in this Section 10.03, nothing contained in this Indenture shall prohibit a merger between the Guarantor and a Subsidiary of the Guarantor, other than a merger between the Guarantor and the Company (which shall only be permitted as set forth in Section 5.01).

(b) The Guarantor shall not consolidate with or merge with or into (whether or not the Guarantor is the surviving Person), sell all or substantially all of its assets to, or sell or dispose of more than 80% of its Capital Stock to, another Person, whether or not affiliated with the Guarantor, unless, other than with respect to a merger between the Guarantor and a Subsidiary of the Guarantor (other than the Company), (i) the Person formed by or surviving any such consolidation or merger (if other than the Guarantor), or to which such sale shall have been made, assumes all the obligations of the Guarantor pursuant to a supplemental indenture substantially in the form of Exhibit D hereto, under the Parent Guarantee of the Guarantor and this Indenture; (ii) immediately after giving effect to such transaction, no Default or Event of Default exists; and (iii) except in the case of a merger of the Guarantor with and into a Subsidiary of the Guarantor, the Guarantor or the

entity or Person formed by or surviving any such consolidation or merger, or to which such sale shall have been made, shall have Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of the Guarantor immediately preceding the transaction.

(c) In the case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and substantially in the form of Exhibit D hereto, of the Parent Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person shall succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as the Guarantor. Such successor Person thereupon may cause to be signed the Parent Guarantee to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed and delivered to the Trustee. The Parent Guarantee so issued shall in all respects have the same legal rank and benefit under this Indenture as the Parent Guarantee theretofore and thereafter issued

in accordance with the terms of this Indenture as though the Parent Guarantee had been issued at the date of the execution hereof.

(d) In the event of a sale of all or substantially all of the assets of the Guarantor in compliance with Section 10.03(b) above, then the Guarantor shall be released and relieved of any Obligations under the Parent Guarantee. Upon the delivery by the Guarantor or such other appropriate Person to the Trustee of an Officer's Certificate to the effect of the foregoing, the Trustee shall execute any document reasonably required in order to evidence the release of the Guarantor from its Obligations under the Parent Guarantee.

Section 10.04. Limitation on Guarantor Liability.

For purposes hereof, the Guarantor's liability shall be limited to the lesser of (a) the aggregate amount of the Obligations of the Company under the Notes and this Indenture and (b) the amount, if any, which would not have (i) rendered the Guarantor "insolvent" (as such term is defined in applicable Bankruptcy Law) or (ii) left the Guarantor with unreasonably small capital at the time the Parent Guarantee was entered into; provided, however, that, it will be a presumption in any lawsuit or other proceeding in which the Guarantor is a party that the amount guaranteed pursuant to the Parent Guarantee is the amount set forth in clause (a) above unless any creditor, or representative of creditors of the Guarantor, or debtor in possession or trustee in bankruptcy of the Guarantor, otherwise proves in such a lawsuit that the aggregate liability of the Guarantor is the amount set forth in clause (b) above. In making any determination as to solvency or sufficiency of capital of the Guarantor in accordance with the previous sentence, any rights the Guarantor may have, contractual or otherwise, shall be taken into account.

Section 10.05. "Trustee" to Include Paying Agent.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article 10 shall in each case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent within its meaning as fully and for all intents and purposes as if such Paying Agent were named in this Article 11 in place of the Trustee.

ARTICLE 11
SATISFACTION AND DISCHARGE

Section 11.01. Satisfaction and Discharge of Indenture.

This Indenture shall be discharged and will cease to be of further effect as to all Notes issued hereunder, when either:

(a) all such Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Company) have been delivered to the Trustee for cancellation; or

(b) (i) all such Notes not theretofore delivered to such Trustee

for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable within one (1) year and the Company or the Guarantor, has irrevocably deposited or caused to be deposited with such Trustee as trust funds in trust an amount of money sufficient to pay and discharge the entire Indebtedness on such Notes not theretofore delivered to the Trustee for cancellation for principal and accrued interest to the date of maturity or redemption;

(ii) no Default or Event of Default with respect to this Indenture or the Notes shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or the Guarantor is a party or by which the Company or the Guarantor, is bound;

(iii) the Company or the Guarantor has paid or caused to be paid all sums payable by it under this Indenture; and

(iv) the Company has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of such Notes at maturity or the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Section 11.02. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 4.03 hereof, all money deposited with the Trustee pursuant to Section 11.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to Persons entitled thereto, of the principal and interest for whose payment such money has been deposited with the Trustee.

If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 11.01 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's Obligations under this Indenture and the Notes shall be revived and reinstated as though

such deposit had not occurred pursuant to Section 11.01 hereof; provided that if the Company has made any payment of principal of or interest on any Notes because of the reinstatement of its Obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

ARTICLE 12
MISCELLANEOUS

Section 12.01. Conflict of any Provision of Indenture with TIA.

If any provision of this Indenture limits, qualifies, or conflicts with the duties imposed by TIA Section 318(c), the imposed duties shall control.

Section 12.02. Notices.

Any notice or communication by the Company, the Guarantor or the Trustee to the others is duly given if in writing and delivered in Person or mailed by first class mail (registered or certified, return receipt requested), telecopier or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Company:

Avatex Funding, Inc.
5910 North Central Expressway
Suite 1780
Dallas, Texas 75206
Attention: General Counsel
Facsimile: (214) 365-7499

If to the Guarantor:

Avatex Corporation
5910 North Central Expressway
Suite 1780
Dallas, Texas 75206
Attention: General Counsel
Facsimile: (214) 365-7499

If to the Trustee:

Norwest Bank Minnesota,
National Association
Sixth and Marquette; MAC N9303-120
Minneapolis, Minnesota 55479-0069
Attention: Corporate Trust Services
Facsimile: (612) 667-9828

If to the Collateral Agent:

Norwest Bank Minnesota,
National Association
Sixth and Marquette; MAC N9303-120
Minneapolis, Minnesota 55479-0069
Attention: Corporate Trust Services
Facsimile: (612) 667-9825

The Company, the Trustee or the Collateral Agent, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA Section 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

Section 12.03. Communication by Holders of Notes with Other Holders of Notes.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

Section 12.04. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take

any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officer's Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Sections 1.05(a) and (c) hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Sections 1.05(a) and (c) hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 12.05. Legal Holidays.

In any case where any interest payment date or any maturity date with respect to any Note shall not be a Business Day, then (notwithstanding any other provisions of this Indenture, the Notes or the Parent Guarantee) payment of interest or principal need not be made on such date but may be made on the next succeeding Business Day.

Section 12.06. No Personal Liability of Directors, Officers, Employees and Stockholders.

No past, present or future director, officer, employee, incorporator or stockholder of the Company or the Guarantor, solely by virtue of being such, shall have any liability for any obligations of the Company or the Guarantor under the Notes, the Parent Guarantee, this Indenture or the Security Documents (including the Security Agreement) or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes and the Parent Guarantee. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

Section 12.07. Governing Law.

THIS INDENTURE, THE NOTES AND THE PARENT GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CHOICE OF LAW RULES THEREOF.

Section 12.08. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 12.09. Successors and Assigns.

All covenants and agreements in this Indenture and the Notes by the Company shall bind its respective successors and assigns, whether so expressed or not. All covenants and agreements in this Indenture and the Notes by the Trustee shall bind its respective successors and assigns, whether so expressed or not.

Section 12.10. Severability.

In case any provision in this Indenture or in the Notes or the Parent Guarantee shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 12.11. Counterpart Originals.

The parties may sign any number of counterpart copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 12.12. Table of Contents, Headings, Etc.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed and delivered in New York, New York as of the day and year first above written.

Dated: December 7, 1999 AVATEX FUNDING, INC.

By: /s/ Melvyn J. Estrin

Melvyn J. Estrin
Co-Chief Executive Officer

Dated: December 7, 1999 AVATEX CORPORATION

By: /s/ Melvyn J. Estrin

Melvyn J. Estrin
Co-Chief Executive Officer

Dated: December 7, 1999 NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION

By: /s/ Timothy P. Mowdy

Name: Timothy P. Mowdy
Title:

Exhibit A

(Face of Note)

[Unless and until it is exchanged in whole or in part for Notes in definitive form, this Note may not be transferred except as a whole by the Depository to a nominee of the Depositary or by a nominee of the Depository to the Depository or another nominee of the Depositary or by the Depository or any such nominee to a successor Depositary or a nominee of such successor Depository. The Depository Trust Company, 55 Water Street, New York, New York ("DTC"), shall act as the Depository until a successor shall be appointed by the Company. Unless this certificate is presented by an authorized representative of DTC to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as may be requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein].1

6.75% Notes due 2002

No. _____ Cusip No: 05349G AA 1

AVATEX FUNDING, INC.

promises to pay to [insert if a Global Note: Cede & Co.] [insert if a Definitive Note: _____] or registered assigns, the principal sum of $_____ (_____ Dollars) on December 7, 2002.

Interest Payment Dates: June 15 and December 15

Record Dates: June 1 and December 1

AVATEX FUNDING, INC.

By:

Name:
Title:

---

1. This paragraph should be included only if the Note is issued in global form.

This is one of the 6.75% Notes due 2002 referred to in the within-mentioned Indenture:

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION,
as Trustee

By:

Authorized Signature

(Back of Note)
6.75% Notes due 2002

Capitalized terms used herein (but not otherwise defined) shall have the meanings assigned to them in the Indenture referred to below.

1. Interest. Avatex Funding, Inc., a Delaware corporation (the "Company"), promises to pay interest on the outstanding principal amount of this Note at the rate of 6.75% per annum. The Company shall pay interest semi-annually, in cash, in arrears on June 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be June 15, 2000. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Company will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on June 1 and December 1 next preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date. The Notes will be payable as to principal and interest at the office or agency of the Company maintained for such purpose, or at the option of the Company, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders.

3. Paying Agent and Registrar. Initially, Norwest Bank Minnesota, National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Notes may be presented for registration of transfer and exchange at the offices of the Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. Indenture. This Note is one of a duly authorized issue of Notes of the Company, designated as its 6.75% Notes due 2002, issued by the Company initially in connection with the Issuance in an aggregate principal amount not to exceed $34,000,000. The Company issued the Notes under an Indenture dated as of December 7, 1999 (as amended, supplemented or otherwise modified from time to time, the "Indenture") among the Company, the Guarantor party thereto and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms.

5. Optional Redemption. The Notes will be subject to redemption at any time at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' written notice, at a redemption price equal to 100% of principal amount of the Notes to be redeemed, together with accrued and unpaid interest thereon to the applicable redemption date.

In the event the Company receives an Extraordinary Dividend on account or in respect of the Pledged Collateral, the Company may use all or part of the proceeds of such Extraordinary Dividend to make an offer to all Holders of Notes (the "Extraordinary Dividend Offer") to purchase Notes at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to the date of purchase. Any Extraordinary Dividend Offer shall be consummated in accordance with the procedures set forth in the Indenture.

6. Mandatory Redemption. The Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

7. Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes may be redeemed in part, provided that no Notes shall be redeemed in a principal amount that is less than $1.00. On and after the redemption date, interest ceases to accrue on Notes or portions thereof called for redemption.

8. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in denominations of $1.00 and integral multiples of $1.00. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

9. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

10. Security. The due and punctual payment of the principal of and interest on the Notes when and as the same shall be due and payable, whether on an Interest Payment Date, at maturity, by acceleration, repurchase, redemption or otherwise, and interest on any overdue principal of and interest on the Notes and performance of all other obligations of the Company to the Holders or the Trustee under this Indenture and the Notes, according to the terms hereunder or thereunder, shall be secured to the extent provided in the Security Agreement which the Company has entered into simultaneously with the execution of this Indenture. Each Holder of Notes, by its acceptance thereof,

consents and agrees to the terms of the Security Agreement (including, without

limitation, the provisions providing for foreclosure) as the same may be in effect or may be amended from time to time in accordance with their terms and authorizes and directs the Trustee or the Collateral Agent, as the case may be, to enter into the Security Agreement and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith.

11. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture, the Notes, the Parent Guarantee issued hereunder and the Security Documents may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (excluding, as part of such majority, consents obtained in connection with a purchase of, or a tender offer or exchange offer for, the Notes), and, subject to the terms of the Indenture, the Notes, the Parent Guarantee and the Security Documents, any existing default or compliance with any provision of the Indenture, the Notes, the Parent Guarantee or the Security Documents may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (excluding consents obtained in connection with a tender offer or exchange offer for the Notes); provided, however, that the consent of the Holders of at least 66-2/3% in principal amount of the Notes then outstanding (excluding, as part of such 66-2/3%, consents obtained in connection with a purchase of, or a tender offer or exchange offer for, the Notes) shall be required for any amendment or supplement of, or waiver of any existing Default or compliance with any provisions of, Section 4.08, 4.09, 4.10 or 5.01 of the Indenture. Without the consent of any Holder of Notes, the Company, the Guarantor and the Trustee may amend or supplement the Indenture, the Notes, the Parent Guarantee or the Security Documents to cure any manifest error, defect or inconsistency; to provide for uncertificated Notes in addition to or in place of certificated Notes; to comply with Article 10 of the Indenture; to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any such Holder; to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act; to enter into additional or supplemental Security Documents; or to provide for the appointment of a successor trustee in compliance with the requirements of Section 7.08 of the Indenture.

12. Defaults and Remedies. Each of the following constitutes an "Event of Default": (a) default for 15 days in the payment when due of interest on the Notes; (b) default for 5 days in payment when due of the principal of the Notes; (c) failure by the Company or the Guarantor, as applicable, to comply with the provisions of Section 4.09, 4.10, 5.01 or 10.03 of the Indenture; (d) failure by the Company for 21 days after written notice to comply with any of its other covenants or agreements in the Indenture, the Notes or the Security Agreement (including the failure to provide the Collateral Agent under the Security Agreement, for the benefit of the Holders of the Notes, with a continuing first-priority Lien on the Pledged Collateral), or the failure, after 21 days written notice thereof, of any of the representations or warranties in the Security Agreement to be true and correct in all material respects; (e) failure by the Guarantor to

perform any covenant set forth in the Parent Guarantee, or the repudiation by the Guarantor of its obligations under the Parent Guarantee or the unenforceability of the Parent Guarantee against the Guarantor for any reason, unless, in each such case, the Guarantor has no indebtedness for borrowed money outstanding at such time or at any time thereafter; and (f) certain events of bankruptcy with respect to the Company.

If any Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default specified in clause (f) or (g) of Section 6.01 of the Indenture with respect to the Company, all outstanding Notes will become due and payable without further action or notice. Holders of the Notes may not enforce the Indenture or the Notes except as provided in this Indenture.

Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee or the Collateral Agent in its exercise of any trust or power, including the exercise of any remedy under the Security Agreement. The Holders of a majority in aggregate principal amount of the Notes then outstanding, by notice to the Trustee and the Collateral Agent, may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under this Indenture, except a continuing Default or Event of Default in the payment of interest on or principal of the Notes, and except in connection with a purchase of, or a tender offer or exchange offer for, the Notes. Notwithstanding the foregoing, the

consent of Holders of at least 66-2/3% in principal amount of the Notes then outstanding (excluding, as part of such 66-2/3%, consents obtained in connection with a purchase of, or a tender offer or exchange offer for, the Notes) shall be required for any waiver of any existing Default or Event of Default with respect to the Company's non-compliance with Section 4.08, 4.09, 4.10 or 5.01 of the Indenture.

13. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company, and may otherwise deal with the Company, as if it were not the Trustee.

14. No Recourse Against Others. No past, present or future director, officer, employee, incorporator or stockholder of the Company or the Guarantor, solely by virtue of being such, shall have any liability for any obligations of the Company or the Guarantor under the Notes, the Parent Guarantee, the Indenture or the Security Documents (including the Security Agreement) or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability.

15. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

16. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TENANT (=

tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minor Act).

17. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

18. Governing Law. The internal law of the State of New York shall govern and be used to construe the terms of this Note, without regard to the choice of law rules thereof.

The Company shall furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Avatex Funding, Inc.
5910 North Central Expressway
Suite 1780
Dallas, Texas 75206
Attention: General Counsel

ASSIGNMENT FORM

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

---

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint

---

to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date:

Your Signature:

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 3.10 of the Indenture, check the box below:

[ ] Section 3.10

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 3.10 of the Indenture, state the amount you elect to have purchased: $

Date:

Your Signature:

(Sign exactly as your name appears on the Note)

Tax Indemnification No.:

Signature Guarantee.

Note: Signature must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

SCHEDULE OF EXCHANGES OF DEFINITIVE NOTES2

The following exchanges of a part of this Global Note for an interest in another Global Note or for Definitive Notes, or exchanges of a part of another Global Note or Definitive Notes for an interest in this Global Note, have been made:

<TABLE>
<CAPTION>

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Note Custodian
<S>	<C>	<C>	<C>	<C>

</TABLE>

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2. This should be included only if the Note is issued in global form.

Exhibit B

FORM OF SPECIAL COMPLIANCE CERTIFICATE

(see attached)

CERTIFICATE

OF

AVATEX FUNDING, INC.

The undersigned, Avatex Funding, Inc. (the "Borrower") does hereby certify that:

1. This certificate is being provided to and may be relied upon by the holders ("Noteholders") of 6.75% Notes due 2002 of Borrower (the "Notes"). Capitalized terms not defined herein shall have the meanings assigned to such terms in the Indenture dated December 7, 1999 for the Notes.

2. The Borrower is a special purpose corporation organized in August, 1999, under the laws of the State of Delaware to issue the Notes and pledge the Phar-Mor Stock.

3. The Borrower's certificate of incorporation and bylaws limit the Borrower's activities to the items set forth in Article III of Borrower's restated certificate of incorporation (as filed on December 7, 1999).

4. The Borrower has at all times maintained and will continue to maintain in full effect its separate existence and good standing as a corporation under the laws of the State of Delaware.

5. The Borrower has conducted at all times, and will conduct its affairs strictly in accordance with, and has at all times observed and will continue to observe all procedures required by, its restated certificate of incorporation, bylaws and the laws of the State of Delaware. The Borrower has observed at all times and will observe all necessary, appropriate and customary corporate formalities, including taking all actions at meetings (or by written consent) of its shareholder or shareholders appropriate to authorize all action, keeping separate and accurate minutes of such meetings (and written consents) and adopting all resolutions or consents necessary to authorize actions taken or to be taken. The Borrower will also observe all of its covenants in the Indenture, the Notes and the Pledge and Security Agreement dated December 7, 1999 and related documents (collectively, the "Transaction Documents"). The Borrower will comply at all times with all of the terms of this Certificate.

6. The Borrower at all times has maintained and will maintain accurate and complete books, records, accounts and financial statements, in each case separate and distinct from the books, records, accounts and financial statements of its Affiliates.

7. The Borrower at all times (a) will allocate expenses among the Borrower and other entities with whom it shares office space as set forth below, and (b) has and will continue to have stationery and other business forms separate from its Affiliates.

8. The funds and other assets of the Borrower at all times have been and will be identifiable and at no time have been nor will be commingled with those of its Affiliates, and neither the funds nor other assets of any Affiliate have been or will be commingled with those of the Borrower. The Borrower at all times has maintained and will continue to maintain its assets in such a manner that it will not be costly or difficult to segregate, ascertain or otherwise identify such assets from those of its Affiliates. No funds of the Borrower have been or will be diverted to any other Person for any purpose other than the business of the Borrower.

9. The transactions evidenced by the Transaction Documents (the "Transactions") reflect bona fide transactions which have arm's-length terms and which have been undertaken in good faith, and without an intent to evade any applicable laws or public policy. None of the Transactions has been or will be concealed from any interested party. The Borrower is not presently the subject of a pending proceeding under the Bankruptcy Code. None of the Transactions was entered into with the intent to hinder, defraud or delay any of the creditors of the Borrower .

10. Except for the guaranty of the Notes by Avatex Corporation, and except for the public assumption of Avatex's obligations under the Trustee Note as contemplated by the Subrogation Agreement, none of the Borrower's Affiliates are obligated to advance funds to the Borrower or otherwise supply funds to it, or guaranty or become obligated for its debts.

11. The Borrower at all times has paid and will continue to pay, from its own separate assets, all liabilities incurred by it, it being understood that the Borrower has received and may receive capital contributions from Avatex Corporation in order for it to make interest and principal payments and satisfy any other obligations in the Notes. Any allocations of direct, indirect or overhead expenses for items, employees or office space shared between the Borrower and any Affiliate at all times have been made and will be made to the extent practical on the basis of actual use or value of services rendered and otherwise on a basis reasonably related to actual use or the value of services rendered. The general overhead and administrative expenses of the Borrower will not be charged or otherwise allocated to any Affiliate, and such expenses of any Affiliate shall not be charged to the Borrower.

12. The Borrower at all times has conducted and will continue to conduct its business solely in its own name so as not to mislead others as to the identity of the Borrower. Without limiting the generality of the foregoing, all oral and written communications of the Borrower have been made and will continue to be made solely in the name of the Borrower.

13. The Borrower will incur no liabilities of any kind to any Person except for those contemplated under the Transaction Documents. The Borrower has not made and will not make any guarantees, and has not and will not otherwise become liable, with respect to the obligations of any Affiliate or any other Person except for the possible assumption of Avatex Corporation's obligations under the Trustee Note as contemplated

by the Subrogation Agreement. The Borrower also has not and will not acquire obligations of, or make loans or advances to any Affiliate or any other Person except for the possible assumption of Avatex Corporation's obligations under the Trustee Note as contemplated by the Subrogation Agreement. If and to the extent an Affiliate of the Borrower provides funds to Borrower, such funds will be provided and properly recorded as a contribution to capital.

14. The Borrower at all times has acted and will continue to act solely in its own name and through its own authorized officers and agents in the conduct of its business. The Borrower at no time has or will (a) hold itself out as having agreed to pay or become liable for the debts of any Affiliate or any other Person, except for the possible assumption of Avatex Corporation's obligations under the Trustee Note as contemplated by the Subrogation Agreement; (b) fail to correct any known misrepresentation with respect to the foregoing; or (c) operate or purport to operate as an integrated, single economic unit with respect to any Affiliate.

15. The Borrower acknowledges that the Noteholders and the Indenture Trustee have entered into the Transaction Documents in reliance on the identity of the Borrower as a legal entity separate from its Affiliates. Subject to the terms of the Indenture, the Notes, the Security Agreement and the Subrogation Agreement, the isolation of the Borrower as an entity separate and distinct from its Affiliates was a necessary precondition to the consummation of the Transactions.

16. The Borrower at all times has maintained and will continue to maintain an arm's-length relationship with its Affiliates, except that Avatex Corporation has made and may make capital contributions to the Borrower from time to time, including to enable Borrower to make interest and principal payments and satisfy any other obligations on the Notes. Fees that may be paid to Affiliates by the Borrower pursuant to any agreement that has been or that will be entered into in accordance with the Transaction Documents are generally comparable to the fees that would be payable to an unaffiliated third party under an arm's-length agreement for such services.

17. The annual financial statements of the Borrower properly disclose and will properly disclose the effects of the Transactions. The Borrower's financial statements have clearly indicated and will clearly indicate the separate existence of the Borrower and its separate assets and liabilities. None of such financial statements, nor any consolidated financial statement, have suggested or will suggest in any way that the Borrower's assets are available to pay the claims of creditors of any Affiliate or any other Person.

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate this _____ day of _____, _____.

AVATEX FUNDING, INC.

By:

Name:
Title:

Exhibit C

FORM OF NOTATION OF PARENT GUARANTEE ON NOTE

Pursuant to the Indenture, the Guarantor has unconditionally guaranteed (a) the due and punctual payment of the principal of and interest on the Notes, whether at stated maturity, by acceleration, call for redemption or otherwise, (b) the due and punctual payment of interest on the overdue principal of, and interest, to the extent lawful, on the Notes and (c) that in case of any extension of time of payment or renewal of any Notes or any of such other Obligations, the same will be promptly paid in full when due in accordance with the terms of the extension of renewal, whether at stated maturity, by acceleration or otherwise.

Notwithstanding the foregoing, in the event that the Parent Guarantee would constitute or result in a violation of any applicable fraudulent conveyance or similar law of any relevant jurisdiction, the liability of the Guarantor under the Parent Guarantee shall be limited to such amount as will not, after giving effect thereto, and to all other liabilities of the Guarantor, result in such amount constituting a fraudulent transfer or conveyance.

The Parent Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Note upon which the Parent Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual or facsimile signature of one of its authorized officers.

Dated: ----------

AVATEX CORPORATION

By: ----------
Name:
Title:

Exhibit D

FORM OF SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of _____, _____ among Avatex Funding, Inc., a Delaware corporation (the "Company"), [Guarantor], a _____ corporation (the "New Guarantor"), and Norwest Bank Minnesota, National Association, as trustee under the indenture referred to below (the "Trustee"). Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Indenture (as defined below).

W I T N E S S E T H:

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture, dated as of December 7, 1999 (the "Indenture"), providing for the issuance by the Company of 6.75% Notes due 2002 in an aggregate principal amount not to exceed $34,000,000 (the "Notes");

WHEREAS, [describe circumstances leading to New Guarantor assuming obligations of Parent Guarantee]; and

WHEREAS, pursuant to Section 8.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the New Guarantor and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement To Guarantee. The New Guarantor hereby agrees to guarantee the Company's Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article 10 of the Indenture and to be bound by all other applicable provisions of the Indenture.

3. No Recourse Against Others. No past, present or future director, officer, employee, incorporator, shareholder or agent of the Guarantor, solely by virtue of being such, shall have any liability for any obligations of the Company or the Guarantor under the Notes, the Parent Guarantee, the Indenture or

this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes and the Parent Guarantee.

4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the correctness of the recitals of fact contained herein, all of which recitals are made solely by the New Guarantor.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: ----------

AVATEX CORPORATION

By: ----------
Name:
Title:

Dated: ----------

[Name of New Guarantor]

By: ----------
Name:
Title:

Dated: ----------

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION,
as Trustee

By: ----------
Name:
Title:

Exhibit E

FORM OF SECURITY AGREEMENT

(see attached)

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "Agreement") is made and entered into as of December 7, 1999 by AVATEX FUNDING, INC., a Delaware corporation (the "Company"), having its principal office at 5910 North Central Expressway, Suite 1780, Dallas, Texas 75206, and AVATEX CORPORATION, a Delaware corporation ("Avatex"), having its principal office at 5910 North Central Expressway, Suite 1780, Dallas, Texas 75206, in favor of NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, having an office at Sixth and Marquette, MAC N9303-120, Minneapolis, Minnesota 55479-0069, as collateral agent (the "Collateral Agent") for the holders (the "Holders") of the Company's 6.75% Notes due 2002. Capitalized terms used and not defined herein shall have the meanings given to such terms in the Indenture referred to below.

W I T N E S S E T H :

WHEREAS, Avatex is the legal and beneficial owner of all of the issued and outstanding shares of capital stock of the Company;

WHEREAS, the Company, Avatex, as guarantor, and Norwest Bank Minnesota, National Association, as trustee, have entered into that certain indenture, dated as of December 7, 1999 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Indenture"), a copy of which is attached hereto as Exhibit A;

WHEREAS, pursuant to the Indenture, the Company will issue 6.75% Notes due 2002 in an aggregate principal amount not to exceed $34,000,000 (together with any notes issued in replacement thereof or in exchange or substitution therefor or in addition thereto, the "Notes");

WHEREAS, the Company is the legal and beneficial owner of all of the issued and outstanding shares of capital stock set forth on Schedule I hereto (the "Pledged Shares") of Phar-Mor, Inc. ("Phar-Mor"), a Pennsylvania corporation;

WHEREAS, under the terms of a Settlement Agreement, dated October 9, 1997, between Avatex, as debtor, and Bart A. Brown, Jr., as trustee under Chapter 7 of Title 11 of the United States code of FoxMeyer Corporation, FoxMeyer Drug Company, Healthcare Transportation System, Inc., Merchandise Coordinator Services Corporation, FoxMeyer Software, Inc. and Health Mart, Inc. and their respective estates, as their interests may appear (the "FoxMeyer Trustee"), (i) Avatex issued, executed and delivered to the FoxMeyer Trustee a Promissory Note in the principal amount of $8,000,000 due October 9, 2000 (the "FoxMeyer Trustee Note"), and (ii) to secure Avatex's obligations under the FoxMeyer Trustee Note, Avatex executed and delivered to the FoxMeyer

Trustee a Pledge and Security Agreement dated October 9, 1997 (the "FoxMeyer Trustee Security Agreement");

WHEREAS, under the FoxMeyer Trustee Security Agreement, Avatex granted to the FoxMeyer Trustee a security interest in, among other things, 1,132,500 shares of common stock of Phar-Mor owned by Avatex, which shares are represented by stock certificate number N-2832 (such shares, together with, to the extent provided in the FoxMeyer Trustee Security Agreement, any securities or instruments received on account of or as exchange for such shares, the "Additional Shares");

WHEREAS, upon satisfaction of all of Avatex's obligations to the FoxMeyer Trustee under the FoxMeyer Trustee Note and the full release by the FoxMeyer Trustee of its lien on and security interest in the Additional Shares as provided by and in accordance with the FoxMeyer Trustee Security Agreement (the foregoing is hereinafter referred to as the "FoxMeyer Trustee Lien Release"), Avatex wishes to transfer to the Company, in the form of a capital contribution, the Additional Shares to enable the Additional Shares to constitute and comprise a part of the Pledged Collateral (as defined below); and

WHEREAS, the terms of the Indenture require that the Company (i) pledge to the Collateral Agent for the ratable benefit of the Holders, and grant to the Collateral Agent for the ratable benefit of the Holders a security interest in, the Pledged Collateral (as defined herein) and (ii) execute and deliver this Agreement in order to secure the payment and performance by the Company of all of the obligations of the Company under the Indenture and the Notes (the "Obligations").

NOW, THEREFORE, in consideration of the premises, and in order to induce the Holders to accept the Notes and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Company hereby agrees with the Collateral Agent for its benefit and the ratable benefit of the Holders as follows:

section 1. Pledge and Creation of Security Interest.

(a) The Company hereby pledges to the Collateral Agent for its benefit and for the ratable benefit of the holders of Notes, and grants to the Collateral Agent for the ratable benefit of the Holders, a continuing first priority security interest in all of its right, title and interest in the following (the "Pledged Collateral"):

(i) the Pledged Shares and the certificates representing the Pledged Shares, and, subject to the provisions of Section 6, all products and proceeds of any of the Pledged Shares, including, without limitation, all dividends, cash, options, warrants, rights, instruments, subscriptions and other property or proceeds from time to time received, receivable or otherwise

distributed in respect of or in exchange for any or all of the Pledged Shares or any of the foregoing; and

(ii) the Additional Shares, and the certificates representing the Additional Shares (the Additional Shares and other items shall constitute part of the Pledged Collateral under and as defined in this Agreement), and all products and proceeds of any of the Additional Shares, including, without limitation, subject to Section 6, all dividends, cash, options, warrants, rights, instruments, subscriptions, and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Additional Shares; provided, however, that the Additional Shares shall be and constitute part of the Pledged Collateral only after the Company becomes the beneficial owner of such Additional Shares as provided in paragraph (b) below.

(b) Promptly following the effectiveness of the FoxMeyer Trustee Lien Release (as evidenced by written agreements and instruments satisfactory to Avatex) and Avatex's receipt of the stock certificate representing the Additional Shares, but in no event later than five (5) business days thereafter, Avatex shall, in the form of a contribution to the capital of the Company, assign, transfer, convey and deliver to the Company, and the Company shall acquire and accept from Avatex, all of Avatex's right, title and interest in and to the Additional Shares (the "Additional Shares Transfer"). Avatex shall use its reasonable best efforts to obtain the stock certificate representing the Additional Shares as promptly as practicable following the FoxMeyer Trustee Lien Release. Immediately following the consummation of the Additional Shares Transfer and the Company becoming the beneficial owner of the Additional Shares, the Company shall pledge and deliver to the Collateral Agent for its benefit and the ratable benefit of the Holders, a continuing first priority security interest in the Additional Shares. The Company further agrees that (i) it will promptly deliver to the Collateral Agent a certificate executed by an officer of the Company describing the Additional Shares and certifying that the same have been duly pledged and delivered to the Collateral Agent hereunder, and (ii) immediately following the consummation of the Additional Share Transfer and the Company becoming the beneficial owner of the Additional Shares, the Additional Shares shall for all purposes hereunder constitute Pledged Collateral.

section 2. Security for Obligations. This Agreement secures the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all Obligations of the Company under the Indenture and the Notes.

section 3. Delivery of Pledged Collateral. The Company hereby agrees that all certificates or instruments representing or evidencing the Pledged Collateral shall be immediately delivered to and held at all times by the Collateral Agent pursuant hereto in the State of Minnesota and shall be in suitable form for transfer by delivery, or issued in the name of the Company and

accompanied by instruments of transfer or assignment duly executed in blank and undated, and in either case having attached thereto all requisite federal or state stock transfer tax stamps, all in form and substance satisfactory to create a first priority security interest in the Pledged Collateral.

section 4. Representations and Warranties. Each of the Company and Avatex represents and warrants, jointly and severally, that as of the date hereof:

(a) The execution, delivery and performance by each of the Company and Avatex of this Agreement are within its corporate powers, have been duly authorized by all necessary corporate action, and do not contravene, or constitute a default under, any provision of applicable law or regulation or of its certificate of incorporation or bylaws or of any agreement, judgment, injunction, order, decree or other instrument binding upon it, or result in the creation or imposition of any Lien on any of its assets, other than the Lien contemplated hereby.

(b) The Company is the legal, record and beneficial owner of the Pledged Shares, free and clear of any Lien or claims of any Person, except for the security interest created by this Agreement. Avatex is the legal, record and beneficial owner of the Additional Shares, free and clear of any Lien or claims by any Person, except for the security interest created by this Agreement and the FoxMeyer Trustee's Lien thereon created by the FoxMeyer Trustee Security Agreement.

(c) The Company has full power and authority to enter into this Agreement and has the right to vote, pledge and grant a security interest in the Pledged Shares as provided by this Agreement. Avatex has full power and authority to enter into this Agreement and, subject to the FoxMeyer Trustee Security Agreement, has the right to vote the Additional Shares, and, subject to obtaining the FoxMeyer Trustee Lien Release, consummate the Additional Shares Transfer.

(d) This Agreement has been duly executed and delivered by the Company and Avatex and constitutes a legal, valid and binding obligation of the Company and Avatex, enforceable against each of them in accordance with its terms.

(e) Upon the delivery to the Collateral Agent of the Pledged Shares and (as to certain proceeds therefrom, if any) the filing of the Uniform Commercial Code (the "UCC") financing statements, the pledge of the Pledged Shares pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Shares, securing the payment of the Obligations for the benefit of the Collateral Agent and the Holders (subject as to enforcement of remedies to any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors'

rights and remedies generally).

(f) No consent of any other Person and no consent, authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the pledge by the Company of the Pledged Shares pursuant to this Agreement or for the execution, delivery or performance of this Agreement by the Company or (ii) for the exercise by the Collateral Agent of the voting or other rights provided for in this Agreement or the remedies in respect of the Pledged Shares pursuant to this Agreement (except as may be required in connection with such disposition by laws affecting the offering and sale of securities).

(g) No litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the best knowledge of the Company and Avatex, threatened by or against the Company or Avatex or against any of their properties or revenues with respect to this Agreement or any of the transactions contemplated hereby.

Upon the pledge and delivery to the Collateral Agent of a security interest in the Additional Shares as provided by and in accordance with this Agreement, the Company shall be deemed to have made, as of the date of such delivery, the representations and warranties set forth above with respect to such Additional Shares.

section 5. Further Assurance. The Company will at all times cause the security interests granted pursuant to this Agreement to constitute valid perfected first priority security interests in the Pledged Collateral, enforceable as such against any and all creditors of the Company, and (except as otherwise specifically provided herein) any Persons purporting to purchase any Pledged Collateral from the Company. The Company will, promptly upon request by the Collateral Agent, execute and deliver or cause to be executed and delivered, or use its best efforts to procure, all stock powers, proxies, tax stamps, assignments, instruments and other documents, all in form and substance reasonably satisfactory to the Collateral Agent, deliver any instruments to the Collateral Agent and take any other actions that are necessary or, in the reasonable opinion of the Collateral Agent, desirable to perfect, continue the perfection of, or protect the first priority of the Collateral Agent's security interest in, the Pledged Collateral, to protect the Pledged Collateral against the rights, claims, or interests of third persons, to enable the Collateral Agent to exercise or enforce its rights and remedies hereunder, or otherwise to effect the purposes of this Agreement. The Company also hereby authorizes the Collateral Agent to file any financing or continuation statements with respect to the Pledged Collateral without the signature of the Company to the extent permitted by applicable law. The Company will pay all costs reasonably incurred in connection with any of the foregoing.

section 6. Voting Rights; Dividends; Etc.

(a) So long as the Collateral Agent has not received notification from the Trustee that an Event of Default has occurred and is continuing, the Company shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Indenture.

(b) So long as the Collateral Agent has not received notification from the Trustee that an Event of Default has occurred and is continuing, the Company shall be entitled to receive, and to utilize free and clear of the Lien of this Agreement, all Regular Dividends and other distributions paid from time to time in respect of the Pledged Collateral.

(c) Except as permitted by Section 3.10 or 4.08 of the Indenture, any and all (i) dividends, other distributions, interest and principal payments paid or payable in the form of instruments and/or other property (other than Regular Dividends permitted under Section 6(b) hereof) received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral, (ii) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and (iii) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Collateral, shall in each case be forthwith delivered to the Collateral Agent to hold as Pledged Collateral and shall, if received by the Company, be received in trust for the benefit of the Collateral Agent and the Holders, be segregated from the other property and funds of the Company and be forthwith delivered to the Collateral Agent as Pledged Collateral in the same form as so received (with any appropriate endorsements).

(d) The Collateral Agent shall execute and deliver (or cause to be executed and delivered) to the Company all such proxies and other instruments as the Company may reasonably request in writing for the purpose of enabling the Company to exercise the voting and other rights that it is entitled to exercise pursuant to Sections 6(a) and 6(b) above.

(e) Upon the occurrence and during the continuance of an Event of Default, (i) all rights of the Company to exercise the voting and other consensual rights that it would otherwise be entitled to exercise pursuant to Section 6(a) shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which, to the extent permitted by law, shall thereupon have the sole right to exercise such voting and other consensual rights as directed by the Trustee or the Holders of a majority in principal amount of the then outstanding Notes, and (ii) all dividends and other distributions payable in respect of the Pledged Collateral shall be paid to the Collateral Agent and the Company's right to receive such cash payments pursuant to Section 6(b) hereof shall immediately cease.

(f) Upon the occurrence and during the continuance of an Event of Default, the Company shall execute and deliver (or cause to be executed and delivered) to the Collateral Agent all such proxies, dividend and interest payment orders and other instruments as are necessary or desirable to enable the Collateral Agent to exercise the voting and other rights that it is entitled to exercise pursuant to Section 6(e) above.

(g) All payments of interest or principal and all dividends and other distributions that are received by the Company contrary to the provisions of this Section 6 shall be received in trust for the benefit of the Collateral Agent and the Holders, shall be segregated from the other property or funds of the Company and shall be forthwith delivered to the Collateral Agent as Pledged Collateral in the same form as so received (with any necessary endorsements).

section 7. Additional Covenants. The Company covenants and agrees, from and after the date of this Agreement and until the Obligations have been paid in full, that it shall not (i) sell, assign, transfer, convey or otherwise dispose of, or grant any option or warrant with respect to, any of the Pledged Collateral without the prior written consent of the Collateral Agent acting in accordance with the directions of the Holders in accordance with the Indenture, (ii) create or permit to exist any Lien upon or with respect to any of the Pledged Collateral, except for the security interest granted under this Agreement, and at all times will be the sole owner of the Pledged Collateral, (iii) enter into any agreement or understanding that purports to or that may restrict or inhibit the Collateral Agent's rights or remedies hereunder, including, without limitation, the Collateral Agent's right to sell or otherwise dispose of the Pledged Collateral, or (iv) take any action with respect to the Pledged Collateral the taking of which would result in a violation of the Indenture or this Agreement.

section 8. Authorization of Actions to be Taken by Collateral Agent; Power of Attorney.

(a) The Collateral Agent may, in its sole discretion and without the consent of the Holders of Notes, on behalf of the Holders of Notes, take all actions it deems necessary or appropriate in order to (i) enforce any of the terms of the Security Agreement and (ii) upon instructions from the Trustee, collect and receive any and all amounts payable in respect of the Obligations of the Company under the Indenture. The Collateral Agent shall have the power to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Pledged Collateral by any acts that may be unlawful or in violation of this Agreement or the Indenture, and such suits and proceedings as the Trustee may deem expedient to preserve or protect its interests and the interests of the Holders of Notes in the Pledged Collateral (including the power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental

enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Holders of the Notes, of the Trustee or of the Collateral Agent).

(b) In addition to all of the powers granted to the Collateral Agent pursuant to Section 8(a) above, the Company hereby appoints and constitutes the Collateral Agent as the Company's attorney-in-fact to exercise all of the following powers upon and at any time after the occurrence of an Event of Default for so long as such Event of Default is continuing: (i) collection of proceeds of any Pledged Collateral; (ii) conveyance of any item of Pledged Collateral to any purchaser thereof; (iii) giving of any notices or recording of any Liens under Section 5 hereof; (iv) making of any payments (upon receipt of funds thereof) or taking any acts under Section 9 hereof and (v) paying or discharging taxes or Liens levied or placed upon or threatened against the Pledged Collateral, in the amounts necessary to discharge the same, and such payments made by the Collateral Agent to become the obligations of the Company to the Collateral Agent, due and payable immediately without demand; provided, however, that nothing

contained in this sentence shall be deemed to in any way limit the rights of the Collateral Agent under Section 5 hereof. The Collateral Agent's authority hereunder shall include, without limitation, the authority to endorse and negotiate, for the Collateral Agent's own account, any checks or instruments in the name of the Company, execute and give receipt for any certificate of ownership or any document, transfer title to any item of Pledged Collateral, sign the Company's name on all financing statements or any other documents deemed necessary or appropriate to preserve, protect or perfect the security interest in the Pledged Collateral and to file the same, prepare, file and sign the Company's name on any notice of Lien, and prepare, file and sign the Company's name on a proof of claim in bankruptcy at similar document against any customer of the Company, and to take any other actions arising from or incident to the powers granted to the Collateral Agent in this Agreement. This power of attorney is coupled with an interest and is irrevocable by the Company.

section 9. Collateral Agent May Perform. Subject to Section 7.01(e) of the Indenture, if the Company fails to perform any agreement contained herein, the Collateral Agent may itself perform, or cause performance of, such agreement, and the reasonable expenses of the Collateral Agent incurred in connection therewith shall be payable by the Company under Section 14 hereof.

section 10. No Assumption of Duties; Reasonable Care. The rights and powers granted to the Collateral Agent hereunder are being granted in order to preserve and protect the Collateral Agent's and the Holders' of Notes security interest in and to the Pledged Collateral granted hereby and shall not be interpreted to, and shall not, impose any duties on the Collateral Agent in connection therewith. The Collateral Agent shall be deemed to have exercised

reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral accorded treatment substantially equal to that which the Collateral Agent accords its own property; it being understood that the Collateral Agent shall not have any responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Collateral Agent has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

section 11. Subsequent Changes Affecting Collateral. The Company represents to the Collateral Agent and the Holders that the Company has made its own arrangements for keeping informed of changes or potential changes affecting the Pledged Collateral (including, but not limited to, rights to convert, rights to subscribe, payment of dividends, payments of interest and/or principal, reorganization or other exchanges, tender offers and voting rights), and the Company agrees that the Collateral Agent and the Holders shall have no responsibility or liability for informing the Company of any such changes or potential changes or for taking any action or omitting to take any action with respect thereto. The Company shall defend the right, title and interest of the Collateral Agent and the Holders in and to the Pledged Collateral against the claims and demands of the Persons.

section 12. Remedies Upon Event of Default.

(a) If any Event of Default shall have occurred and be continuing, the Collateral Agent and the Holders shall have, in addition to all other rights given by law or by this Agreement, the Indenture or the Notes, all of the rights and remedies with respect to the Pledged Collateral of a secured party under the UCC as in effect in the State of Minnesota at that time. If any Event Default shall have occurred and be continuing, the Collateral Agent may, without notice and at its option, transfer or register, and the Company shall use its reasonable best efforts to cause to be registered upon request therefor by the Collateral Agent, the Pledged Collateral or any part thereof on the books of Phar-Mor into the name of the Collateral Agent or the Collateral Agent's nominee(s), with or without any indication that such Pledged Collateral is subject to the security interest hereunder. In addition, with respect to any Pledged Collateral that shall then be in or shall thereafter come into the possession or custody of the Collateral Agent, the Collateral Agent may sell or cause the same to be sold at any broker's board or at public or private sale, in one or more sales or lots, at such price or prices as the Collateral Agent may deem best, for cash or on credit for future delivery, without assumption of any credit risk. The purchaser of any or all Pledged Collateral so sold shall thereafter hold the same absolutely, free from any claim, encumbrance or right of any kind whatsoever. Unless any of the Pledged Collateral threatens to decline speedily in value or is or becomes of a type sold on a recognized

market, the Collateral Agent will give the Company reasonable notice of the time and place of any public sale thereof, or of the time after which any private sale or other intended disposition is to be made. Any sale of the Pledged Collateral conducted in conformity with reasonable commercial practices of banks, insurance companies, commercial finance companies, or other financial institutions disposing of property similar to the Pledged Collateral shall be deemed to be commercially reasonable. Any requirements of reasonable notice shall be met if such notice is mailed to the Company as provided below in Section 18.1, at least ten (10) days before the time of the sale or disposition. Any other requirement of notice, demand or advertisement for sale is, to the extent permitted by law, waived. The Collateral Agent or any of the Holders may, in its own name or in the name of a designee or nominee, buy any of the Pledged Collateral at any public sale and, if permitted by applicable law, at any private sale. All expenses (including court costs and customary fees and out-of-pocket disbursements of the Collateral Agent's counsel, and, to the extent incurred in accordance with Section 14 hereof, investment banking firm or other selling agent and any other expert or agent) of, or incident to, the enforcement of any of the provisions hereof shall be recoverable from the proceeds of the sale or other disposition of the Pledged Collateral.

(b) The Company further agrees, at its expense, to use its reasonable best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Collateral pursuant to this Section 12 valid and binding and in compliance with any and all applicable federal and state securities laws. The Company further agrees that a breach of any of the covenants contained in this Section 12 will cause irreparable injury to the Collateral Agent and the

Holders, that the Collateral Agent and the Holders have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 12 shall be specifically enforceable against the Company, and the Company hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Default or Event of Default has occurred under the Indenture.

section 13. Irrevocable Authorization and Instruction to Phar-Mor. The Company hereby authorizes and instructs Phar-Mor to comply with any instruction received by the Issuer from the Collateral Agent that (i) states that an Event of Default has occurred and (ii) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from the Company, and the Company agrees that Phar-Mor shall be fully protected in so complying.

section 14. Fees and Expenses. The Company will upon demand pay to the Collateral Agent such fees as may be agreed upon from time to time in writing and the amount of any fees and out-of-pocket disbursements of its counsel, of any investment banking firm or other selling agent and of any other

experts and agents retained by the Collateral Agent that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent and the Holders hereunder or (iv) the failure by the Company to perform or observe any of the provisions hereof, in each case other than any such expenses that arise from the gross negligence or willful misconduct of the Collateral Agent.

section 15. Note Interest Absolute. All rights of the Collateral Agent and the Holders and the security interests created hereunder, and all obligations of the Company hereunder, shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of the Indenture or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Indenture;

(c) any exchange, surrender, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guarantee, for all or any of the Obligations; or

(d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Company in respect of the Obligations or of this Agreement.

section 16. Application of Proceeds. Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale of, or other realization upon, all or any part of the Pledged Collateral and any cash held shall be applied by the Collateral Agent in the following order of priorities:

first, to payment of the expenses of such sale or other realization, including reasonable compensation to agents and counsel for the Collateral Agent, and all expenses, liabilities and advances incurred or made by the Collateral Agent in connection therewith, and any other unreimbursed fees and expenses for which the Collateral Agent is to be reimbursed pursuant to Section 14 hereof;

second, after receiving notice thereof from the Trustee, to the Trustee for the payment of all sums due and owing to it pursuant to Section 7.07 of the Indenture;

third, after receiving notice thereof from the Trustee, to the

ratable payment (based on the principal amount of Notes deemed by the Indenture to be outstanding at the time of distribution) of accrued and unpaid interest, if any, on such outstanding Notes;

fourth, after receiving notice thereof from the Trustee, to the ratable payment (based on the principal amount of Notes deemed by the Indenture to be outstanding at the time of distribution) of unpaid principal of such outstanding Notes;

fifth, after receiving notice thereof from the Trustee, to the ratable payment (based on the principal amount of Notes deemed by the Indenture to be outstanding at the time of distribution) of all other Obligations, until all Obligations shall have been paid in full; and

sixth, to payment to the Company or its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

section 17. Uncertificated Securities. Notwithstanding anything to the contrary contained herein, if any Pledged Collateral is uncertificated, the Company shall promptly notify the Collateral Agent, and shall promptly take all actions required to perfect the security interest of the Collateral Agent under applicable law (including, in any event, under provisions of the Uniform Commercial Code in effect in the State of Minnesota that are similar to Sections 8-102, 8-106, 8-110, 8-301, 9-115, 9-116, 9-303, 9-304 and 9-306 of the Uniform Commercial Code in effect in the State of New York, or that are otherwise applicable to creating and perfecting a security interest in uncertificated securities under the Uniform Commercial Code in effect in the State of Minnesota). The Company further agrees to take such actions as the Collateral Agent deems reasonably necessary or desirable to effect the foregoing and to permit the Collateral Agent to exercise any of its rights and remedies hereunder, and agrees to provide an Opinion of Counsel reasonably satisfactory to the Collateral Agent with respect to any such pledge of uncertificated Pledged Shares promptly upon request of the Collateral Agent.

section 18. Miscellaneous Provisions.

Section 18.1 Notices. All notices, approvals, consents or other communications required or desired to be given hereunder shall be in the form and manner as set forth in Section 12.02 of the Indenture, and delivered to the addresses set forth in such Section, or, in the case of the Collateral Agent, to: Norwest Bank Minnesota, National Association, Sixth and Marquette, MAC N9303-120, Minneapolis, Minnesota 55479-0069, Attention: Corporate Trust Services.

Section 18.2 Certificate and Opinion as to Conditions Precedent. Upon

any request or application by the Company to the Collateral Agent to take any action or omit to take any action under this Agreement, to the extent required by the TIA, the Company shall deliver to the Collateral Agent an Officer's Certificate and/or an Opinion of Counsel in accordance with the requirements of Sections 9.03, 9.04 and 9.05 of the Indenture.

Section 18.3 No Adverse Interpretation of Other Agreements. This Agreement may not be used to interpret another pledge, security or debt agreement of the Company. No such pledge, security or debt agreement may be used to interpret this Agreement.

Section 18.4 Severability. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect in that jurisdiction only such clause or provision, or part thereof, and shall not in any manner affect such clause or provision in any other jurisdiction or any other clause or provision of this Agreement in any jurisdiction.

Section 18.5 No Recourse Against Others. No past, present or future director, officer, employee, stockholder or affiliate, solely by virtue of being such, of the Company or Avatex shall have any liability for any obligations of the Company under this Agreement or for any claim based on, in respect of or by reason of such obligations or their creation. Each of the Holders, by accepting a Note, waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

Section 18.6 Headings. The headings of the Articles and Sections of this Agreement have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

Section 18.7 Counterpart Originals. This Agreement may be signed in two or more counterparts. Each signed copy shall be an original, but all of them together represent one and the same agreement. Each counterpart may be executed and delivered by telecopy, if such delivery is promptly followed by the original manually signed copy sent by overnight courier.

Section 18.8 Benefits of Agreement. Nothing in this Agreement, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Holders, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Section 18.9 Amendments, Waivers and Consents. Any amendment or waiver of any provision of this Agreement and any consent to any departure by the Company from any provision of this Agreement shall be effective only if made

or given in compliance with all of the terms and provisions of Sections 8.01, 8.02, 8.03, 8.06, 9.03, 9.04, 9.05 and 9.08 of the Indenture necessary for amendments or waivers of, or consents to any departure by the Company from any provision of the Indenture, as applicable, and the Collateral Agent receives an Opinion of Counsel and Officer's Certificate as to such compliance, and neither the Collateral Agent or the Trustee nor any of the Holders shall be deemed, by any act, delay, indulgence, omission or otherwise, to have waived any right or remedy hereunder or to have acquiesced in any Event of Default or in any breach of any of the terms and conditions hereof. Failure of the Collateral Agent or any of the Holders to exercise, or delay in exercising, any right, power or privilege hereunder shall not operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Collateral Agent or any of the Holders of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that the Collateral Agent or such Holder would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

Section 18.10 Interpretation of Agreement. Time is of the essence in each provision of this Agreement of which time is an element. All terms not defined herein or in the Indenture shall have the meaning set forth in the applicable UCC, except where the context otherwise requires. Acceptance of or acquiescence in a course of performance rendered under this Agreement shall not be relevant to determine the meaning of this Agreement even though the accepting or acquiescing party had knowledge of the nature of the performance and opportunity for objection.

Section 18.11 Continuing Security Interest; Transfer of Notes. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) remain in full force and effect until the payment in full of all the Obligations and all the fees and expenses owing to the Collateral Agent, (ii) be binding upon the Company, its successors and assigns, and (iii) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent, the Holders and their respective successors, transferees and assigns.

Section 18.12 Reinstatement. This Agreement shall continue to be effective or be reinstated if at any time any amount received by the Collateral Agent or any of the Holders in respect of the Obligations is rescinded or must otherwise be restored or returned by the Collateral Agent or any of the Holders upon the insolvency,

bankruptcy, dissolution, liquidation or reorganization of the Company or upon the appointment of any receiver, intervenor, conservator, trustee or similar official for or any substantial part of its assets, or otherwise, all as though

such payments had not been made.

Section 18.13 Survival of Provisions. All representations, warranties and covenants of the Company contained herein shall survive the execution and delivery of this Agreement, and shall terminate only upon the full and final payment and performance by of the Obligations and of all fees and expenses due to the Collateral Agent; except that the obligations of the Company pursuant to Sections 14 and 18.15 of this Agreement shall survive the termination or discharge of this Agreement (including any discharge pursuant to Bankruptcy Law) or the resignation or removal of the Collateral Agent.

Section 18.14 Waivers. The Company waives presentment and demand for payment of any of the Obligations, protest and notice of dishonor or default with respect to any of the Obligations, and all other notices to which the Company might otherwise be entitled, except as otherwise expressly provided herein or in the Indenture.

Section 18.15 Authority of the Collateral Agent.

(a) The Collateral Agent shall have and be entitled to exercise all powers hereunder that are specifically granted to the Collateral Agent by the terms hereof, together with such powers as are reasonably incident thereto. The Collateral Agent may perform any of its duties hereunder or in connection with the Pledged Collateral by or through agents or employees and shall be entitled to retain counsel of its choice and to act in reliance upon the advice of such counsel concerning all such matters. Without limiting the generality of the foregoing, the Collateral Agent shall take all actions as the Trustee or, subject to paragraph (c) below, the Holders of a majority in principal amount of the then outstanding Notes may direct it to perform in accordance with the provisions of this Agreement. However, the Collateral Agent may refuse to follow any direction that conflicts with law, the Indenture or this Agreement, or that would be likely to subject the Collateral Agent to personal liability, as determined by the Collateral Agent's counsel in a written opinion. Neither the Collateral Agent nor any director, officer, employee, attorney or agent of the Collateral Agent shall be responsible for the validity, effectiveness or sufficiency hereof or of any document or security furnished pursuant hereto. The Collateral Agent and its directors, officers, employees, attorneys and agents shall be entitled to rely on any communication, instrument or document believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons. The Company agrees to indemnify and hold harmless the Collateral Agent, the Holders and any other Person from and against any and all costs, expenses (including, the customary fees and out-of-pocket disbursements of the Collateral Agent's counsel, and, to the extent incurred in accordance with Section 14 hereof, investment banking firm or other selling agent and any other expert or agent), claims and liabilities incurred by the Collateral Agent, the Holders or such Person hereunder in connection with the subject matter of this Agreement, unless such claim or

liability shall be due to willful misconduct or gross negligence on the part of the Collateral Agent, the Holders or each Person.

(b) The Company acknowledges that the rights and responsibilities of the Collateral Agent under this Agreement with respect to any action taken by the Collateral Agent or the exercise or non-exercise by the Collateral Agent of any option, right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Collateral Agent and the Holders, be governed by the Indenture and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Collateral Agent and the Company, the Collateral Agent shall be conclusively presumed to be acting as agent for the Holders with full and valid authority so to act or refrain from acting, and the Company shall not be obligated or entitled to make any inquiry respecting such authority.

(c) No provision of this Agreement shall require the Collateral Agent to expend or risk its own funds or incur any liability. The Collateral Agent shall be under no obligation to exercise any of its rights and powers under this Agreement at the request of any Holders, unless such Holder shall have offered to the Collateral Agent security and indemnity reasonably satisfactory to it against any loss, liability or expense.

Section 18.16 Resignation or Removal of the Collateral Agent. The Collateral Agent may at any time, by giving written notice to the Company and Holders, resign and be discharged of the responsibilities hereby created, such resignation to become effective upon (i) the appointment of a successor Collateral Agent and (ii) the acceptance of such appointment by such successor Collateral Agent. The Holders of a majority in principal amount of the then outstanding Notes may remove the Collateral Agent by so notifying the Collateral Agent and the Company in writing. The Company may remove the Collateral Agent if:

(i) the Collateral Agent fails to comply with the requirements set forth in Section 7.10 of the Indenture;

(ii) the Collateral Agent is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Collateral Agent under any Bankruptcy Law;

(iii) a Custodian or public officer takes charge of the Collateral Agent or its property; or

(iv) the Collateral Agent becomes incapable of acting.

If the Collateral Agent resigns or is removed or if a vacancy exists in the office of Collateral Agent for any reason, the Company shall promptly appoint a successor Collateral Agent. At any time within one (1) year after the successor Collateral Agent takes office, the Holders of a majority in principal amount of the then outstanding

Notes may appoint a successor Collateral Agent to replace the successor Collateral Agent appointed by the Company.

If a successor Collateral Agent does not take office within 60 days after the retiring Collateral Agent tenders its resignation or is removed, the retiring Collateral Agent, the Company, or the Holders of at least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Collateral Agent.

If the Collateral Agent, after written request by any Holder of a Note who has been a Holder of a Note for at least six (6) months (or such shorter period as the Notes shall have been outstanding), fails to comply with the requirements set forth in Section 7.10 of the Indenture, such Holder of a Note may petition any court of competent jurisdiction for the removal of the Collateral Agent and the appointment of a successor Collateral Agent.

A successor Collateral Agent shall deliver a written acceptance of its appointment to the retiring Collateral Agent and to the Company and the Trustee. Thereupon, the resignation or removal of the retiring Collateral Agent shall become effective, and the successor Collateral Agent shall have all the rights, powers and duties of the Collateral Agent under this Agreement. The successor Collateral Agent shall, mail a notice of its succession to Holders of the Notes and to the Trustee. The retiring Collateral Agent shall, at the Company's expense, promptly transfer all property held by it as Collateral Agent to the successor Collateral Agent, including, without limitation, the certificates and instruments evidencing the Pledged Collateral and all instruments of transfer or assignment held by it pursuant to the terms hereof. The retiring Collateral Agent shall be entitled to fees, costs and expenses to the extent incurred or arising, or relating to events occurring, before its resignation or removal.

Section 18.17 Release; Termination of Agreement.

(a) Subject to the provisions of Section 18.12 hereof, this Agreement shall terminate (i) upon full and final payment and performance of the Obligations (and upon receipt by the Collateral Agent of the Company's written certification that all such Obligations have been satisfied) and payment in full of all fees and expenses owing by the Company to the Collateral Agent, which written certification shall be acknowledged by the Trustee, or (ii) upon the satisfaction and discharge of the Indenture (and upon receipt by the Collateral Agent of the Company's written certification as to such discharge) pursuant to and in accordance with Section 11.01 of the Indenture, which written certification shall be acknowledged by the Trustee. At such time, the Collateral Agent shall, at the request of the Company, reassign and redeliver to the Company all of the Pledged Collateral hereunder that has not been sold, disposed of, retained or applied by the Collateral Agent in accordance with the terms hereof. Such reassignment and redelivery shall be without warranty by or

recourse to the Collateral Agent, except as to the absence of any prior assignments by the Collateral Agent of its interest in the Pledged Collateral, and shall be at the expense of the Company.

(b) The Company agrees that it will not, except as permitted by the Indenture and this Agreement, sell or dispose of, or grant any option or warrant with respect to, any of the Pledged Collateral.

Section 18.18 Final Expression. This Agreement, together with any other agreement executed in connection herewith, is intended by the parties as a final expression of their Agreement and is intended as a complete and exclusive statement of the terms and conditions thereof.

Section 18.19 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED UNDER THE LAWS OF THE STATE OF NEW YORK AND ANY DISPUTE ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THE COMPANY, AVATEX, THE COLLATERAL AGENT AND THE HOLDERS IN CONNECTION WITH THIS AGREEMENT, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY OR OTHERWISE, SHALL BE RESOLVED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO THE CONFLICTS OF LAWS PROVISIONS AND DECISIONS) OF THE STATE OF NEW YORK.

(b) EXCEPT AS PROVIDED IN THE NEXT PARAGRAPH, THE COMPANY, AVATEX, THE COLLATERAL AGENT AND THE HOLDERS AGREE THAT ALL DISPUTES BETWEEN OR AMONG THEM ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED ONLY BY STATE OR FEDERAL COURTS LOCATED IN NEW YORK, NEW YORK, BUT THE COMPANY, AVATEX, THE COLLATERAL AGENT AND THE HOLDERS ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK, NEW YORK. THE COMPANY WAIVES IN ALL DISPUTES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT CONSIDERING THE DISPUTE INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS.

(c) THE COMPANY AGREES THAT THE COLLATERAL AGENT SHALL, IN ITS OWN NAME OR IN THE NAME AND ON BEHALF OF ANY OF THE HOLDERS HAVE THE RIGHT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TO PROCEED AGAINST THE COMPANY OR ITS PROPERTY IN A COURT IN ANY LOCATION REASONABLY SELECTED IN GOOD FAITH TO ENABLE THE COLLATERAL AGENT TO REALIZE ON SUCH PROPERTY, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER

ENTERED IN FAVOR OF THE COLLATERAL AGENT. THE COMPANY AGREES THAT IT SHALL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY THE COLLATERAL AGENT TO REALIZE ON SUCH PROPERTY, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE COLLATERAL AGENT. THE COMPANY WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH THE COLLATERAL AGENT HAS COMMENCED A PROCEEDING DESCRIBED IN THIS PARAGRAPH INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS.

(d) THE COMPANY, AVATEX, THE COLLATERAL AGENT AND THE HOLDERS EACH WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT. INSTEAD, ANY DISPUTES RESOLVED IN COURT WILL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY.

(e) NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE COLLATERAL AGENT OR ANY OF THE HOLDERS TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY OTHER JURISDICTION.

Section 18.20 Acknowledgments. Each of the Company and Avatex hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement;

(b) neither the Collateral Agent nor any of the Holders has any fiduciary relationship to the Company or Avatex (except that certain affiliates of certain Holders were immediately prior to the effectiveness of the Merger directors of Avatex), and the relationship between the Collateral Agent and the Holders, on the one hand, and the Company and Avatex, on the other hand, is solely that of a secured party and a creditor; and

(c) no joint venture exists among the Holders or among the Company, Avatex and the Holders.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be duly executed and delivered as of the date first above written.

AVATEX FUNDING, INC.

By: /s/ Melvyn J. Estrin

Name: Melvyn J. Estrin
Title: Co-Chief Executive Officer

AVATEX CORPORATION

By: /s/ Melvyn J. Estrin

Name: Melvyn J. Estrin
Title: Co-Chief Executive Officer

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ Timothy P. Mowdy

Name: Timothy P. Mowdy
Title:

Schedule I

Pledged Shares

1. 2,617,500 shares of common stock, par value $0.01 per share, of Phar-Mor, Inc. (evidenced by stock certificate no. N-2853).

2. 954,033 shares of common stock, par value $0.01 per share, of Phar-Mor, Inc. (evidenced by stock certificate no. N-3339).

EXHIBIT A

6.75% Notes Indenture

(see attached)

SUBROGATION AGREEMENT

Subrogation Agreement dated as of December 7, 1999 by and between Bart A. Brown, Jr., as trustee under Chapter 7 of Title 11 of the United States Code of FoxMeyer Corporation, FoxMeyer Drug Company, Healthcare Transportation System, Inc., Merchandise Coordinator Services Corporation, FoxMeyer Software, Inc. and Health Mart, Inc. and their respective estates, as their interests may appear ("Trustee"); and Norwest Bank Minnesota, National Association ("Agent"), as trustee under the Indenture governing the 6.75% Notes (as defined below) and as collateral agent under the related security agreement (the "Noteholders Security Agreement").

WHEREAS, under the terms of a Settlement Agreement dated October 9, 1997, between Avatex Corporation (the "Debtor") and the Trustee, (i) the Debtor executed and delivered to the Trustee a Promissory Note payable to the Trustee in the original principal amount of $8,000,000 (the "Trustee Note") and (ii) to secure payment of the Trustee Note, the Debtor executed and delivered to the Trustee a Pledge and Security Agreement (the "Trustee Security Agreement");

WHEREAS, under the Trustee Security Agreement, the Debtor granted to the Trustee a security interest in, among other things, 1,132,500 shares of common stock of Phar-Mor, Inc. owned by the Debtor (together with, to the extent provided in the Trustee Security Agreement, any securities or instruments received on account of or in exchange for such common stock, the "FoxMeyer Trustee Phar-Mor Collateral"), which shares are represented by certificate number 2832 (the "Certificate"), and the Debtor has transferred physical possession of the Certificate to the Trustee to enable the Trustee to perfect its security interest in the FoxMeyer Trustee Phar-Mor Collateral;

WHEREAS, on or prior to December 15, 1999, Avatex Funding, Inc., a wholly-owned subsidiary of the Debtor ("Subsidiary"), intends to issue 6.75% Notes (the "6.75% Notes") due in 2002 to various persons (the "Noteholders");

WHEREAS, to secure payment of the 6.75% Notes, the Debtor will transfer to Subsidiary 3,571,533 unpledged shares of common stock of Phar-Mor, Inc. owned by the Debtor (the "6.75% Notes Phar-Mor Collateral"), and Subsidiary will execute and deliver to Agent the Noteholders Security Agreement, under which Subsidiary will grant a security interest in such shares to Agent; and

WHEREAS, to further secure the 6.75% Notes, the Debtor will transfer the FoxMeyer Trustee Phar-Mor Collateral to Subsidiary and have Subsidiary grant a security interest to the Agent in the FoxMeyer Trustee Phar-Mor Collateral as soon as that is possible, subject to the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

COVENANTS

1.1 Subject to Section 1.2 below, upon Debtor's payment in full of all of the Obligations (as such term is defined in the Trustee Security Agreement) to Trustee (or any successor-in-interest with respect to the Trustee Note), Trustee (or such successor-in-interest) shall deliver to Agent the Certificate representing the FoxMeyer Trustee Phar-Mor Collateral, together with the accompanying stock power duly endorsed in blank by the Debtor. Pursuant to the terms of the Noteholders Security Agreement, Debtor shall then cause the FoxMeyer Trustee Phar-Mor Collateral to be registered in the name of the Subsidiary and the Subsidiary shall execute and deliver to Agent a new stock power duly executed in blank. It is expressly agreed that the terms "payment" or "payment in full" when used herein in connection with the Trustee Note, the Trustee Security Agreement, or the Obligations mean payment in United States dollars of principal, interest, and interest on overdue principal and interest to the date of payment, fees, and costs of collection, specifically including all interest, fees, and costs that arise, accrue, or mature after the commencement of any bankruptcy proceeding by or against the Debtor or any similar type of proceeding notwithstanding (1) 11 U.S.C. ss.ss. 502(b)(2) or 506(b), (2) any general bankruptcy rule that post-bankruptcy interest, fees, or costs cease to accrue, and (3) any general bankruptcy rule that post-bankruptcy interest, fees, or costs are limited to the value of any collateral securing the pre-bankruptcy claim.

1.2 (a) The Debtor and Trustee (on behalf of itself and any successor-in-interest with respect to the Trustee Note) each agrees that (subject to the last sentence of subsection 1.1) an "Eligible Group" of Noteholders (as defined below) may elect at any time to make payment to Trustee of an amount equal to all of the Obligations (as such term is defined in the Trustee Security Agreement) on account thereof; provided that upon the substitution of such an Eligible Group of Noteholders for Trustee under the Trustee Security Agreement, the Eligible Group of Noteholders shall immediately terminate the security interest previously granted by the Debtor to Trustee in all collateral other than the FoxMeyer Trustee Phar-Mor Collateral. An "Eligible Group" of Noteholders shall mean a group of Noteholder(s) consisting entirely of original Noteholders each holding at least 5% of the aggregate principal amount of 6.75% Notes originally issued.

(b) An Eligible Group may elect, at its option, to cause the Debtor and/or the Agent to use their reasonable best efforts, effective upon the payment in full of the Obligations to the Trustee, to appropriately amend, supplement and waive the applicable provisions of the Noteholders Security Agreement and the Indenture for the 6.75% Notes (the "Indenture") so as to cause the FoxMeyer Trustee Phar-Mor Collateral to secure the 6.75% Notes as well as

the Obligations under the Trustee Note (which Obligations would thereafter run either to the Eligible Group or Agent by virtue of subrogation) (a "Security Restructuring"). It is contemplated, though not required, that following the consummation of a Security Restructuring, the Trustee Note would be amended to substitute the Subsidiary as the maker thereunder, and the Debtor would guaranty the obligations of Subsidiary under the Trustee Note under substantially the same terms and conditions as apply to the Debtor's guaranty of the 6.75% Notes contained in the Indenture; provided, however, that the Debtor and Subsidiary shall not be required to consent to such substitution and guaranty to the extent that the same would, in the written opinion of independent counsel, necessitate registration of any securities by Debtor and/or Subsidiary (including, perhaps,

such guaranty) under the Securities Act of 1933, as amended. The Debtor shall also not be required to consent to have a default under the Trustee Note in and of itself constitute a default under the 6.75% Notes, or vice versa. Nothing contained within Section 1.2 shall require the Debtor, Subsidiary, Trustee or Agent to take any action that would result in a violation of any applicable law, including, but not limited to, federal and state securities laws.

(c) Trustee agrees to confirm in writing the payment in full of the Obligations by an Eligible Group of Noteholders and, upon payment in full of the Obligations, consent in writing to any such Security Restructuring effected pursuant to subsection 1.2(b) above and otherwise in compliance with the proviso contained in subsection 1.2(a) above, provided that (i) the Obligations to the Trustee have been (or will simultaneously be) satisfied through payment in full and (ii) Trustee shall thereafter have no further obligations nor entitlements in connection with the Trustee Note or the Trustee Security Agreement.

(d) If there is more than one Eligible Group of Noteholders who wish to make a payment to Trustee on account of all of the Obligations pursuant to subsection 1.2(b) above, Trustee may accept payment from any such group of Noteholders, and not from other Noteholders, in Trustee's sole discretion. Trustee shall be entitled to rely (without any duty of inquiry) upon any representation made by a putative Eligible Group as to its status as an Eligible Group. Nothing contained in this subsection 1.2(d) shall be construed to limit the parties' obligations under subsection 1.2(b) above.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 Trustee hereby confirms to Agent as of the date hereof that Trustee has no knowledge of any security interest in or lien against the FoxMeyer Trustee Phar-Mor Collateral other than its own pursuant to the Trustee Security Agreement. Trustee hereby represents to Agent that on May 19, 1997, the U.S. Bankruptcy Court for the District of Delaware confirmed the election of and appointed Bart A. Brown, Jr., as permanent trustee of the estates of the FoxMeyer entities referenced in the preamble of this Agreement, and Trustee

still serves in such capacity as of the date hereof. Debtor hereby represents to Agent as of the date hereof that Debtor has no knowledge of any security interest in or lien against the FoxMeyer Trustee Phar-Mor Collateral other than the Trustee's lien pursuant to the Trustee Security Agreement.

2.2 Agent hereby represents and warrants to Trustee that it has the authority to execute, deliver and perform its obligations under this Agreement and this Agreement constitutes the legal, valid and binding obligation of Agent, enforceable in accordance with its terms and this Agreement is not in contravention of any law, rule or regulation or any order, decree or agreement in each case by which Agent is bound. The Debtor hereby consents to the execution hereof and disclaims any claim against Trustee for its entry herein.

ARTICLE III

MISCELLANEOUS

3.1 THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO THE PRINCIPLES OF CONFLICTS OF LAWS AND SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF THE PARTIES HERETO AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS. AGENT SHALL NOT ASSIGN ITS RIGHTS HEREUNDER WITHOUT THE CONSENT OF TRUSTEE. PROVIDED THAT AGENT SHALL BE PERMITTED TO ASSIGN ITS RIGHTS TO A SUCCESSOR TRUSTEE DULY QUALIFIED AS SUCH UNDER THE INDENTURE GOVERNING THE 6.75% NOTES.

Each party hereby agrees that any action or proceeding arising hereunder and involving the Trustee shall be brought only in the United States Bankruptcy Court for the District of Delaware. If such Court declines jurisdiction, the parties hereto agree that such action or proceeding shall then be brought only in the state and federal courts located in the State and County of New York.

3.2 All communications provided for hereunder shall be given in writing and delivered personally, via overnight mail, by a reputable carrier or by facsimile (confirmed by telephone) to such address as is identified by a party to the other party hereto from time to time in accordance with the terms of this Section 3.2.

3.3 Each party agrees to execute and deliver any and all such further instruments and assurances, and to take all such further actions, as may be reasonably necessary or appropriate to effectuate the transactions contemplated hereby. Any Trustee actions shall be at the expense of the Debtor and shall be indemnified in advance by the Debtor.

3.4 This Agreement cannot be amended, modified or any of its terms waived, except by a writing executed by each of the parties hereto.

3.5 This Agreement may be executed in two or more counterparts which

together shall constitute one and the same instrument. Facsimile signatures shall be sufficient to bind the parties.

3.6 The Trustee's obligations hereunder are subject to the prior approval of the United States Bankruptcy Court for the District of Delaware at the expense of the Debtor. Neither the Trustee nor the Trustee's estate shall have any liability for any breach of this Agreement. The other parties' sole remedy for any breach of this Agreement by the Trustee shall be specific performance. Nothing contained herein shall prevent the Trustee from agreeing with Debtor to restructure the Obligations or the security arrangements therefor.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

TRUSTEE:

/s/ Bart A. Brown, Jr.

Bart A. Brown, Jr., as Trustee under
Chapter 7 of Title 11 of the U.S. Code of
FoxMeyer Corporation et al.
Address:

AGENT:

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION

By: /s/ Timothy P. Mowdy

Name: Timothy P. Mowdy
Title:
Address:

The terms of this Agreement are hereby acknowledged, accepted and consented to:

AVATEX CORPORATION

By: /s/ Melvyn J. Estrin

Name: Melvyn J. Estrin
Title: Co-Chief Executive Officer

==========

WARRANT AGREEMENT

between

AVATEX CORPORATION

and

AMERICAN STOCK TRANSFER AND TRUST COMPANY

as Warrant Agent

Up to 2,750,000 Warrants

Dated as of December 7, 1999

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WARRANT AGREEMENT

WARRANT AGREEMENT, dated as of December 7, 1999 (this "Agreement"), by and between AVATEX CORPORATION, a Delaware corporation (the "Company"), and AMERICAN STOCK TRANSFER AND TRUST COMPANY, as Warrant Agent (the "Warrant Agent").

W I T N E S S E T H:

WHEREAS, the Company and Xetava Corporation, a Delaware corporation and a wholly-owned subsidiary of the Company ("Xetava"), have entered into an Amended and Restated Agreement and Plan of Merger, dated as of June 18, 1999 (as amended, the "Merger Agreement"), pursuant to which Xetava will be merged with and into the Company (the "Merger"), with the Company being the surviving corporation in the Merger;

WHEREAS, the Merger has occurred on the date hereof;

WHEREAS, pursuant to the Merger Agreement, each holder of shares of $5 Cumulative Convertible Preferred Stock of the Company (the "Convertible Preferred Stock") who has made properly a Convertible Stock Alternate Consideration Election (as defined in the Merger Agreement) is entitled to receive, as part of the Convertible Preferred Stock Alternate Consideration (as defined in the Merger Agreement) to be received in connection with the Merger for each Convertible Preferred Stock Electing Share (as defined in the Merger Agreement), warrants to purchase 0.67456 shares of Class A Common Stock, par value $0.01 per share (the "New Avatex Common Stock"), of the Company, as the surviving corporation in the Merger;

WHEREAS, pursuant to the Merger Agreement, each holder of $4.20 Cumulative Exchangeable Series A Preferred Stock of the Company (the "Series A Preferred Stock", and together with the Convertible Preferred Stock, the "Old Preferred Stock") who properly has made properly a Series A Preferred Stock Alternate Consideration Election (as defined in the Merger Agreement) is entitled to receive, as part of the Series A Preferred Stock Alternate Consideration (as defined in the Merger Agreement) to be received in connection with the Merger for each Series A Preferred Stock Electing Share (as defined in the Merger Agreement), warrants to purchase 0.53567 shares of New Avatex Common Stock;

WHEREAS, the Company desires to enter into this Agreement to set forth the terms and conditions of the warrants to be issued in the Merger

as part of the Convertible Preferred Stock Alternate Consideration and the Series A Preferred Stock Alternate Consideration and the rights of the holders thereof;

WHEREAS, the Company will issue the warrants to be issued in the Merger as part of the Convertible Preferred Stock Alternate Consideration and the Series A Preferred Stock Alternate Consideration by delivery of warrant certificates evidencing one or more of such warrants, such warrant certificates

and other warrant certificates issued pursuant to this Agreement being herein referred to as the "Warrant Certificates"; and

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to act, in connection with the issuance, transfer, exchange, replacement and exercise of the Warrant Certificates and other matters as provided herein.

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual agreements set forth herein, the Company and the Warrant Agent hereby agree as follows:

Article 1
DEFINITIONS

As used herein, the following terms have the following respective meanings:

"Affiliate" means with respect to any Person, any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For purposes of this definition, (a) "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities (or equivalent equity interests), by contract or otherwise, and the terms "controlling" or "controlled" have meanings correlative to the foregoing, and (b) a subsidiary of a Person is an Affiliate of such Person and of each other subsidiary of that Person.

"Agreement" means this Warrant Agreement, as the same may be amended or modified from time to time hereafter.

"Alternate Consideration" means the Convertible Preferred Stock Alternate Consideration and/or the Series A Preferred Stock Alternate Consideration (each as defined in the Merger Agreement) to be issued, in certain circumstances, pursuant to the Merger Agreement.

"Business Day" means any day, other than a Saturday or a Sunday, on which (i) commercial banking institutions in New York City, New York, and (ii) the principal national securities exchange, market or trading facility on which the New Avatex Common Stock or Warrants are listed or admitted for trading, are open for business.

"Commission" means the Securities and Exchange Commission or any other Federal agency at the time administering the Securities Act or the Exchange Act, whichever is the relevant statute for the particular purpose.

"Company" has the meaning specified in the introductory paragraph hereof.

"Convertible Preferred Stock" has the meaning specified in the recitals hereof.

"Effective Time" has the meaning specified in the Merger Agreement.

"Exchange Act" means the Securities Exchange Act of 1934, or any successor Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be amended and in effect at the time. Any reference herein to a particular section of the Securities Exchange Act of 1934 shall include a reference to the comparable section, if any, of any such successor Federal statute.

"Exercise Period" has the meaning specified in Article 3 hereof.

"Exercise Price" has the meaning specified in Section 4.1 hereof.

"Fair Value" means with respect to New Avatex Common Stock, if such security is listed or admitted for trading on a national securities exchange or other trading facility or market (in any such case, the "Trading Market"), the average of the closing or last reported sales prices of a share of New Avatex Common Stock on the primary Trading Market on which the New Avatex Common Stock is listed or quoted for the 30 Business Days (or such lesser number of Business Days as such New Avatex Common Stock shall have been so listed, quoted or traded) next preceding the date of measurement; provided, however, that if no such sales prices have been quoted during the preceding 30-day period or there is otherwise no established trading market for such security, then "Fair Value" means the value of such New Avatex Common Stock as determined reasonably and in good faith by the Board of Directors of the Company and supported by an opinion from an investment banking firm of recognized national standing, whose determination shall be conclusive; and provided further, however, that in the event the current market price of a share of such New Avatex Common Stock is determined during a period following the announcement by the Company of (i) a dividend or distribution on the New Avatex Common Stock payable in shares of New Avatex Common Stock, or (ii) any subdivision, combination or reclassification of the New Avatex Common Stock, and prior to the expiration of 30 Business Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the "Fair Value" shall be appropriately adjusted to take into account ex-dividend trading. Anything herein to the contrary notwithstanding, in case the Company shall issue any shares of New Avatex Common Stock, rights or options in connection with the acquisition by the Company of the stock or assets of any other Person or the merger of any other Person into the Company, the Fair Value of the New Avatex Common Stock so issued shall be determined as of the date the number of shares of Common Stock, rights or options was determined (as set forth in a written agreement between

the Company and the other party to the transaction) rather than on the date of issuance of such shares of New Avatex Common Stock, rights or options.

"Merger" has the meaning specified in the recitals hereof.

"Merger Agreement" has the meaning specified in the recitals hereof.

"New Avatex Common Stock" has the meaning specified in the recitals hereof.

"Old Preferred Stock" has the meaning specified in the recitals hereof.

"Original Issue Date" has the meaning specified in

Section 2.2 hereof.

"Other Shares" has the meaning specified in Section 5.2 hereof.

"Person" means any individual, partnership, association, joint venture, corporation, limited liability company, business trust, unincorporated organization, government or department, agency or subdivision thereof, or other person or entity.

"Securities Act" means the Securities Act of 1933, or any successor Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be amended and in effect at the time. Any reference herein to a particular section of the Securities Act of 1933 shall include a reference to the comparable section, if any, of any such successor Federal statute.

"Series A Preferred Stock" has the meaning specified in the recitals hereof.

"Warrant Agent" has the meaning specified in the introductory paragraph hereof.

"Warrant Certificates" has the meaning specified in the recitals hereof.

"Warrants" means, collectively, the warrants issued by the Company pursuant to this Agreement to purchase up to an aggregate of 2,750,000 shares of New Avatex Common Stock at the Exercise Price, subject to adjustment as provided herein, which warrants are to be issued initially as part of the Alternate Consideration to be received in connection with the Merger pursuant to

the Merger Agreement in exchange for each Convertible Preferred Stock Electing Share and Series A Preferred Stock Electing Share.

Article 2
ISSUANCE OF WARRANTS

2.1 Issuance of Warrants. Each Warrant Certificate shall evidence one or more Warrants as specified therein. Each Warrant evidenced thereby shall represent the right, subject to the provisions contained herein and therein, to purchase from the Company one share of New Avatex Common Stock.

2.2 Form of Warrant Certificates. Each Warrant Certificate shall be in registered form substantially in the form attached hereto as Exhibit A and shall be dated as of the date on which it is countersigned by the Warrant Agent, which shall be as of the Effective Time (as defined in the Merger Agreement) of the Merger (the "Original Issue Date") or, in the event of a division, exchange, substitution or transfer of any of the Warrants, on the date of such event. The Warrant Certificate may have such further legends and endorsements stamped, printed, lithographed or engraved thereon as may be required to comply with any law or with any rule or regulation pursuant thereto or with any rule or regulation of any securities exchange, market or trading facility on which the Warrants may be listed or admitted for trading.

2.3 Execution of Warrant Certificates. Warrant Certificates shall be executed on behalf of the Company by its Chairman of the Board, Chief Executive Officer, President, any Senior Vice President, any Vice President, Treasurer or Secretary, either manually or by facsimile signature printed thereon. In case any such officer of the Company whose signature shall have been placed upon any Warrant Certificate shall cease to be such officer of the Company before countersignature by the Warrant Agent or issuance and delivery thereof, such Warrant Certificate nevertheless may be countersigned by the Warrant Agent and issued and delivered with the same force and effect as though such person had not ceased to be such officer of the Company.

The term "holder" or "holder of a Warrant Certificate" as used herein shall mean any Person in whose name at the time any Warrant Certificate shall be registered upon the books to be maintained by the Warrant Agent for that purpose.

2.4 Countersignature of Warrant Certificates. Warrant Certificates shall be manually countersigned by an authorized signatory of the Warrant Agent and shall not be valid for any purpose unless so countersigned. Such manual countersignature shall constitute conclusive evidence of such authorization. No Warrant Certificate shall be valid for any purpose, and no Warrant evidenced thereby shall be exercisable, until such Warrant Certificate has been countersigned by the manual signature of the Warrant Agent. The Warrant Agent is hereby authorized to countersign, in accordance with the provisions of this Section 2.4, and deliver any new Warrant Certificates, as directed by the Company as and when required pursuant to the provisions of Articles 7 and 8. Each Warrant Certificate shall, when manually countersigned by an authorized signatory of the Warrant Agent, entitle the registered holder thereof to exercise the rights as the holder of the number of Warrants set forth thereon, subject to the provisions of this Agreement.

Article 3
EXERCISE PERIOD

Each Warrant shall entitle the holder thereof to purchase from the Company one (1) share of Common Stock (subject to the adjustments provided herein), at any time during the period that commences at 9:00 a.m., New York City time, on March 7, 2000 and terminates at 5:00 p.m., New York City time, on March 7, 2005 (the "Exercise Period"). The period of time between the date hereof and March 7, 2000 shall hereinafter be referred to as the "Non-Exercise Period"). Any Warrant not exercised prior to the expiration of the Exercise Period shall become void, and all rights of the holder of the Warrant Certificate evidencing such Warrant under the Warrant Certificate or this Agreement shall cease.

Article 4
EXERCISE OF WARRANTS

4.1 Exercise Price. The exercise price of each Warrant is $2.25 per share of New Avatex Common Stock (the "Exercise Price"). The Exercise Price is subject to adjustment pursuant to Article 5 hereof.

4.2 Manner of Exercise. (a) During the Exercise Period (except as otherwise set forth in Section 5.4 hereof), all or any whole number of Warrants represented by a Warrant Certificate may be exercised by the registered holder thereof during normal business hours on any Business Day, by surrendering such Warrant Certificate, with the subscription form set forth therein duly completed and executed by such holder, by hand, by overnight courier or by mail to the Warrant Agent at its office addressed to American Stock Transfer and Trust Company, 40 Wall Street, New York, New York 10005, Attention: Corporate Trust Department. Such Warrant Certificate shall be accompanied by payment in full in respect of each Warrant that is exercised, which shall be made by certified or official bank or bank cashier's check payable to the order of the Company or by wire transfer of immediately available funds to an account designated by the Warrant Agent for the benefit of the Company, except as otherwise provided herein. Such payment shall be in an amount equal to the product of the number of shares of New Avatex Common Stock designated in such subscription form multiplied by the Exercise Price for the Warrants being exercised (plus such additional consideration as may be provided herein). Upon such surrender and payment prior to the expiration of the Exercise Period, such holder shall thereupon be entitled to receive the number of duly authorized, validly issued, registered, fully paid and nonassessable shares of New Avatex Common Stock determined as provided in Articles 2 and 3, and as and if adjusted pursuant to Article 5.

(b) No registered holder may use its ability to acquire shares of New Avatex Common Stock upon exercise of the Warrants if such exercise would result in the total number of shares of New Avatex Common Stock deemed beneficially owned by such holder (other than by virtue of the ownership of the Warrants or ownership of other securities that have limitations on a holder's right to convert or exercise similar to those limitations set forth herein),

together with all shares of New Avatex Common Stock deemed beneficially owned by such holder's Affiliates that would be aggregated for purposes of determining a group under Section 13(d) of the Exchange Act, exceeding 9.9% of the total issued and outstanding shares of New Avatex Common Stock (the "Restricted Ownership Percentage"); provided that (w) each holder shall have the right, at any time and from time to time, to reduce its Restricted Ownership Percentage immediately upon written notice to the Company and the Warrant Agent, (x) each holder shall have the right, at any time and from time to time, to increase its Restricted Ownership Percentage and otherwise waive in whole or in part the restrictions of this Section 4.2(b) upon 61 days' prior written notice to the Company and the Warrant Agent, (y) each holder can make subsequent adjustments pursuant to (w) or (x) any number of times from time to time (any such adjustment being effective immediately if it results in a decrease in the percentage, or upon 61 days' prior written notice if it results in an increase in the percentage) and (z) each holder may eliminate or reinstate this limitation at any time and from time to time (any such elimination being effective upon 61 days' prior notice and any such reinstatement being effective immediately).

4.3 When Exercise Effective. Each exercise of any Warrant pursuant to Section 4.2 shall be deemed to have been effected immediately prior to the close of business (i.e., 5:00 p.m., New York City time) on the Business Day on which the Warrant Certificate representing such Warrant, duly executed, with accompanying payment shall have been delivered as provided in Section 4.2, and at such time the Person or Persons in whose name or names the certificate or certificates for New Avatex Common Stock shall be issuable upon such exercise as provided in Section 4.4 shall be deemed to have become the holder or holders of record thereof.

4.4 Delivery of Certificates, Etc. (a) As promptly as practicable after the exercise of any Warrant, and in any event within three (3) Business Days thereafter, the Company at its expense (other than as to payment of transfer taxes which will be paid by the holder) will cause to be issued and delivered to such holder, or as such holder may otherwise direct in writing (subject to Article 7),

(i) a certificate or certificates for the number of shares of New Avatex Common Stock to which such holder is entitled, and

(ii) if less than all the Warrants represented by a Warrant Certificate are exercised, a new Warrant Certificate or Certificates of the same tenor and for the aggregate number of Warrants that were not exercised, executed and countersigned in accordance with Sections 2.3 and 2.4.

(b) The Warrant Agent shall countersign any new Warrant Certificate,

register it in such name or names as may be directed in writing by such holder, and shall deliver it to the Person entitled to receive the same in accordance with this Section 4.4. The Company, whenever required by the Warrant Agent, will supply the Warrant Agent with Warrant Certificates executed on behalf of the Company for such purpose.

(c) The Warrant Agent shall, from time to time, as promptly as practicable, advise the Treasurer of the Company or his or her designee of (i) the number of Warrants exercised, (ii) the instructions of each holder of the Warrant Certificates evidencing such Warrants with respect to delivery of the New Avatex Common Stock to which such holder is entitled upon such exercise, (iii) delivery of Warrant Certificates evidencing the balance, if any, of the Warrants remaining after such exercise, and (iv) such other information as the Company shall reasonably require.

(d) The Company shall not be required to pay any stamp or other tax or other governmental charge required to be paid in connection with any transfer involved in the issue of the New Avatex Common Stock to a Person other than a registered holder; and in the event that any such transfer is involved, the Company shall not be required to issue or deliver any Warrant Certificate or share of New Avatex Common Stock until such tax or other charge shall have been paid or it has been established to the Company's reasonable satisfaction that no such tax or other charge is due.

4.5 Fractional Shares. No fractional shares of New Avatex Common Stock shall be issued upon the exercise of any Warrant. If more than one Warrant Certificate shall be delivered for exercise at one time by the same holder, the number of full shares or securities that shall be issuable upon exercise shall be computed on the basis of the aggregate number of Warrants exercised. As to any fraction of a share of New Avatex Common Stock, the Company shall pay by company check an amount equal to such fraction multiplied by the closing sales price of New Avatex Common Stock on the principal securities exchange, market or trading facility on which the New Avatex Common Stock is listed or admitted for trading (or if not so listed or admitted, by another equivalent means reasonably determined in good faith by the Company) on the Business Day next preceding the date such exercise becomes effective under Section 4.4 hereof.

Article 5
ADJUSTMENT OF THE AMOUNT OF COMMON STOCK ISSUABLE AND THE EXERCISE PRICE UPON EXERCISE

5.1 Adjustment for Change in Capital Stock. If the Company shall (i) declare or pay a dividend on its outstanding New Avatex Common Stock in shares of New Avatex Common Stock or make a distribution to holders of its New Avatex Common Stock in shares of New Avatex Common Stock, (ii) subdivide its outstanding shares of New Avatex Common Stock into a greater number of shares of New Avatex Common Stock, (iii) combine its outstanding shares of New Avatex Common Stock into a smaller number of shares of New Avatex Common Stock, or (iv) issue by reclassification of its shares of New Avatex Common Stock other securities of the Company, then the Exercise Price in effect immediately prior thereto shall be adjusted so that the holder of any Warrants thereafter exercised shall be entitled to receive the number and kind of shares of New Avatex Common Stock or other securities that the holder would have owned or been entitled to receive after the happening of any of the events described above had such Warrants been exercised immediately prior to the happening of such event or

any record date with respect thereto. An adjustment made pursuant to this Section 5.1 shall become effective on the date of the dividend payment, subdivision, combination or issuance retroactive to the record date with respect thereto, if any, for such event. Such adjustment shall be made successively.

5.2 Distributions. If, after the date hereof, the Company shall distribute to all holders of its shares of New Avatex Common Stock, evidences of its indebtedness, shares of another class of capital stock ("Other Shares") or assets (excluding cash distributions made as a dividend payable out of earnings or out of surplus legally available for dividends under the laws of the jurisdiction of incorporation of the Company) or rights to subscribe to shares of New Avatex Common Stock, then in each such case, unless the Company elects to reserve such indebtedness, assets, rights or shares for distribution to each holder of a Warrant upon the exercise of the Warrants so that such holder will receive upon such exercise, in addition to the shares of New Avatex Common Stock to which such holder is entitled, the amount and kind of such indebtedness, assets, rights or shares which such holder would have received if such holder had, immediately prior to the record date for the distribution of such indebtedness, assets, rights or shares, exercised the Warrants and received New

Avatex Common Stock, the Exercise Price in effect immediately prior to such distribution shall be decreased to an amount determined by multiplying such Exercise Price by a fraction, the numerator of which is the Fair Value of a share of the New Avatex Common Stock at the date of such distribution less the fair value of the assets, Other Shares or evidences of indebtedness, as the case may be, so distributed or of such subscription rights (as determined in good faith by the Board of Directors of the Company and supported by an opinion from an investment banking firm of recognized national standing, whose determination shall be conclusive, and described in a statement filed with the Warrant Agent) and the denominator of which is the Fair Value of a share of New Avatex Common Stock at such date. Such adjustment shall be made whenever any such distribution is made, and shall become effective retroactively on the date immediately after the record date for the determination of stockholders entitled to receive such distribution.

5.3 Exercise Price Adjustment. Except in the case of increases of shares covered by Section 5.1 (as to which the adjustment provisions of such Section shall apply), whenever the number of shares of New Avatex Common Stock into which a Warrant is exercisable is adjusted as provided in this Article 5, then the Exercise Price payable upon exercise of the Warrant shall simultaneously be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of shares of New Avatex Common Stock into which such Warrant was exercisable immediately prior to such adjustment, and the denominator of which shall be the number of shares of New Avatex Common Stock into which such Warrant was exercisable immediately thereafter.

5.4 Adjustments for Mergers and Consolidations. In case the Company, after the date hereof, shall merge or consolidate with or into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets to, another Person, then, in the case of any such transaction, proper provision shall be made so that, upon the basis and terms

and in the manner provided in this Warrant Agreement, the holders of the Warrants, upon the exercise thereof at any time after the consummation of such transaction (subject to the Exercise Period, except as provided in the proviso to this Section 5.4 below), shall be entitled to receive (at the aggregate Exercise Price in effect at the time of the transaction for all New Avatex Common Stock issuable upon such exercise immediately prior to such consummation), in lieu of the New Avatex Common Stock issuable upon such exercise prior to such consummation, the greatest amount of securities, cash or other property to which such holder would have been entitled as a holder of New Avatex Common Stock upon such consummation if such holder had exercised the rights represented by the Warrants held by such holder immediately prior thereto, subject to adjustments (subsequent to such consummation) as nearly equivalent as possible to the adjustments provided for in Sections 5.1 and 5.2 hereof; provided, however, that, if any such transaction described in this Section 5.4 occurs, or the Company sells, transfers or disposes of at least 80% of its capital stock to another Person, during the Non-Exercise Period, notwithstanding anything to the contrary contained herein, the Warrants shall be deemed exercisable during the Non-Exercise Period for the purposes of this Section 5.4 and the holders shall be entitled to receive the securities, cash or property referred to in this Section 5.4, or in such sale of capital stock of the Corporation, to the extent they comply with the other provisions of this Section 5.4.

5.5 No De Minimis Adjustments; Calculation to Nearest Cent and One-hundredth of Share. No adjustment in the Exercise Price shall be required under this Article 5 unless such adjustment would require an increase or decrease of at least 1% of such price. All calculations under this Article 5 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

5.6 Notice of Adjustment in Exercise Price; Warrant Agent's Disclaimer. (a) Whenever the Exercise Price and securities issuable shall be adjusted as provided in this Article 5, the Company shall forthwith file with the Warrant Agent a statement, signed by the Chairman of the Board, Chief Executive Officer, President, any Senior Vice President, any Vice President or the Treasurer of the Company, stating in detail the facts requiring such adjustment, the Exercise Price that will be effective after such adjustment and the impact of such adjustment on the number and kind of securities issuable upon exercise of the Warrants. The Company shall also cause the Warrant Agent to mail (first class, postage prepaid) a notice setting forth any such adjustments to each registered holder of Warrants at its last address appearing on the Warrant register.

(b) The Warrant Agent shall have no duty with respect to any statement filed with it except to keep the same on file and available for

inspection by registered holders of Warrants during reasonable business hours. The Warrant Agent shall not at any time be under any duty or responsibility to any holder of a Warrant to determine whether any facts exist which may require any adjustment to the Exercise Price or securities issuable, or with respect to the nature or extent of any adjustment of the Exercise Price or securities issuable when made or with respect to the method employed in making such

adjustment. The Warrant Agent shall not be responsible for the Company's failure to comply with any provision of this Article 5.

5.7 No Change in Warrant Terms on Adjustment. Irrespective of any adjustments in the Exercise Price or the number of shares of New Avatex Common Stock issuable upon exercise, Warrants theretofore or thereafter issued may continue to express the same prices and number of shares as are stated in the similar Warrants issuable initially, or at some subsequent time, pursuant to this Agreement, and the Exercise Price and such number of shares issuable upon exercise specified thereon shall be deemed to have been so adjusted.

5.8 Treasury Shares. Shares of New Avatex Common Stock at any time owned by the Company shall not be deemed to be outstanding for the purposes of any computation under this Article 5.

Article 6
RESERVATION OF STOCK

6.1 Reservation; Due Authorization, Etc. The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued New Avatex Common Stock, solely for issuance and delivery upon exercise of Warrants, the full number of shares of New Avatex Common Stock from time to time issuable upon the exercise of all Warrants and any other outstanding warrants, options or similar rights, from time to time outstanding. All shares of New Avatex Common Stock shall be duly authorized and, when issued upon such exercise, shall be duly and validly issued, and (in the case of shares) fully paid and nonassessable, and free from all taxes, liens, charges, security interests, encumbrances and other restrictions created by or through the Company.

6.2 Delivery of Prospectus. The Company will furnish to the Warrant Agent sufficient copies of a Prospectus relating to the New Avatex Common Stock deliverable upon exercise of Warrants (the "Prospectus"), and the Warrant Agent agrees that upon the exercise of any Warrant, the Warrant Agent will deliver a Prospectus to the holder of the Warrant Certificate evidencing such Warrant, prior to or concurrently with, the delivery of the New Avatex Common Stock issued upon such exercise.

6.3 Compliance with Law. The Company will from time to time take, at its cost, all action which may be necessary to obtain and keep effective any and all permits, consents and approvals of governmental agencies and authorities and securities acts and "blue sky" filings under United States Federal and State laws (including, without limitation, a registration statement in respect of the Warrants and New Avatex Common Stock under the Securities Act), which may be or become requisite in connection with the issuance, sale, transfer, and delivery of the Warrant Certificates, the exercise of the Warrants, the issuance, sale, transfer, and delivery of the New Avatex Common Stock issued upon exercise of the Warrants or upon the expiration of the period during which the Warrants are exercisable.

Article 7
LOSS OR MUTILATION

Upon receipt by the Company and the Warrant Agent of evidence reasonably satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any Warrant Certificate and of an indemnity bond reasonably satisfactory to them in form or amount, and (in the case of mutilation) upon surrender and cancellation thereof, then, in the absence of notice to the Company or the Warrant Agent that the Warrants represented thereby have been acquired by a bona fide purchaser, the Company shall execute and deliver to the Warrant Agent and, upon the Company's request, an authorized signatory of the Warrant Agent shall manually countersign and deliver, to the registered holder of the lost, stolen, destroyed or mutilated Warrant Certificate, in exchange for or in lieu thereof, a new Warrant Certificate of the same tenor and for a like aggregate number of Warrants. Upon the issuance of any new Warrant Certificate under this Article 7, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that

may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Warrant Agent) in connection therewith. Every new Warrant Certificate executed and delivered pursuant to this Article 7 in lieu of any lost, stolen or destroyed Warrant Certificate shall be entitled to the same benefits of this Agreement equally and proportionately with any and all other Warrant Certificates, whether or not the allegedly lost, stolen or destroyed Warrant Certificate shall be at any time enforceable by anyone. The provisions of this Article 7 are exclusive and shall preclude (to the extent lawful) all other rights or remedies with respect to the replacement of mutilated, lost, stolen or destroyed Warrant Certificates.

Article 8
WARRANT REGISTRATION

8.1 Registration. The Warrant Certificates shall be issued in registered form only and shall be registered in the names of the record holders of the Warrant Certificates to whom they are to be delivered. The Warrant Agent shall maintain or cause to be maintained a register in which, subject to such reasonable regulations as it may prescribe, the Warrant Agent shall provide for the registration of Warrants and of transfers or exchanges of Warrant Certificates as provided in this Agreement. Such register shall be maintained at the office of the Warrant Agent located at the respective address therefor as provided in Section 11.1. Such register shall be open for inspection upon notice at all reasonable times by the Warrant Agent and each holder of a Warrant.

8.2 Transfer or Exchange. At the option of the holder, Warrant Certificates may be exchanged or transferred for other Warrant Certificates for a like aggregate number of Warrants, upon surrender of the Warrant Certificates to be exchanged at the office of the Warrant Agent maintained for such purpose at the respective address therefor as provided in Section 11.1, and upon payment of the charges herein provided. Whenever any Warrant Certificates are so surrendered for exchange or transfer, the Company shall execute, and an authorized signatory of the Warrant Agent shall manually countersign and

deliver, the Warrant Certificates that the holder making the exchange is entitled to receive.

8.3 Valid and Enforceable. All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under this Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange.

8.4 Endorsement. Every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by an instrument of transfer in form reasonably satisfactory to the Company and the Warrant Agent and duly executed by the registered holder thereof or such holder's officer or representative duly authorized in writing.

8.5 No Service Charge. No service charge shall be made for any registration of transfer or exchange of Warrant Certificates.

8.6 Treatment of Holders of Warrant Certificates. The Company and the Warrant Agent may treat the registered holder of a Warrant Certificate as the absolute owner thereof for any purpose and as the person entitled to exercise the rights represented by the Warrants evidenced thereby, any notice to the contrary notwithstanding.

8.7 Cancellation. Any Warrant Certificate surrendered for registration of transfer, exchange or the exercise of the Warrants represented thereby shall, if surrendered to the Company, be delivered to the Warrant Agent, and all Warrant Certificates surrendered or so delivered to the Warrant Agent shall be promptly cancelled by the Warrant Agent. Any such Warrant Certificate shall not be reissued and, except as provided in this Article 8 in case of an exchange or transfer, in Article 7 in case of a mutilated Warrant Certificate and in Article 3 in case of the exercise of less than all the Warrants represented thereby, no Warrant Certificate shall be issued hereunder in lieu thereof. The Warrant Agent shall deliver to the Company from time to time or otherwise dispose of such cancelled Warrant Certificates in a manner reasonably satisfactory to the Company.

Article 9
WARRANT AGENT

9.1 Obligations Binding. The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the terms and conditions set forth in this Article 9. The Company, and the holders of Warrants by their acceptance

thereof, shall be bound by all of such terms and conditions.

9.2 No Liability. The Warrant Agent shall not by counter-signing Warrant Certificates or by any other act hereunder be accountable with respect to or be deemed to make any representations as to the validity or authorization of the Warrants or the Warrant Certificates (except as to its countersignature

thereon), as to the validity, authorization or value (or kind or amount) of any New Avatex Common Stock or other property delivered or deliverable upon exercise of any Warrant, or as to the purchase price of such New Avatex Common Stock, or other property. The Warrant Agent shall not (i) be liable for any recital or statement of fact contained herein or in the Warrant Certificates or for any action taken, suffered or omitted by the Warrant Agent in good faith in the belief that any Warrant Certificate or any other document or any signature is genuine or properly authorized, (ii) be responsible for determining whether any facts exist that may require any adjustment of the purchase price and the number of shares of New Avatex Common Stock purchasable upon exercise of Warrants, or with respect to the nature or extent of any such adjustments when made, or with respect to the method of adjustment employed, (iii) be responsible for any failure on the part of the Company to issue, transfer or deliver any New Avatex Common Stock or property upon the surrender of any Warrant for the purpose of exercise or to comply with any other of the Company's covenants and obligations contained in this Agreement or in the Warrant Certificates or (iv) be liable for any act or omission in connection with this Agreement except for its own bad faith, negligence or willful misconduct.

9.3 Instructions. The Warrant Agent is hereby authorized to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, Chief Executive Officer, President, any Senior Vice President, any Vice President, Treasurer or any Assistant Treasurer of the Company and to apply to any such officer for advice or instructions. The Warrant Agent shall not be liable for any action taken, suffered or omitted by it in good faith in accordance with the instructions of any such officer.

9.4 Agents. The Warrant Agent may execute and exercise any of the rights and powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys, agents or employees, provided reasonable care has been exercised in the selection and in the continued employment of any such attorney, agent or employee. The Warrant Agent shall not be under any obligation or duty to institute, appear in, or defend any action, suit or legal proceeding in respect hereof, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper. The Warrant Agent shall promptly notify the Company in writing of any claim made or action, suit or proceeding instituted against the Warrant Agent arising out of or in connection with this Agreement.

9.5 Cooperation. The Company will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further acts, instruments and assurances as may reasonably be required by the Warrant Agent in order to enable the Warrant Agent to carry out or perform its duties under this Agreement.

9.6 Agent Only. The Warrant Agent shall act solely as agent. The Warrant Agent shall not be liable except for the performance of such duties as are specifically set forth herein, and no implied covenants or obligations shall be read into this Agreement against the Warrant Agent, whose duties and

obligations shall be determined solely by the express provisions hereof.

9.7 Right to Counsel. The Warrant Agent may at any time consult with legal counsel satisfactory to it (who may be legal counsel for the Company, but, in any case, shall be reasonably selected) and the Warrant Agent shall incur no liability or responsibility to the Company or to any Warrant holder for any action taken, suffered or omitted by the Warrant Agent in good faith in accordance with the opinion or advice of such counsel.

9.8 Compensation. The Company agrees to pay the Warrant Agent reasonable compensation for its services hereunder to be agreed upon and to reimburse the Warrant Agent for its reasonable expenses hereunder; and further agrees to indemnify the Warrant Agent and hold it harmless against any and all liabilities, including, but not limited to, judgments, costs and reasonable counsel fees, for anything done, suffered or omitted by the Warrant Agent in the execution of its duties and powers hereunder, except for any such liabilities that arise as a result of the Warrant Agent's bad faith, negligence or willful misconduct.

9.9 Accounting. The Warrant Agent shall account promptly to the Company with respect to Warrants exercised and concurrently pay to the Company all moneys received by the Warrant Agent on behalf of the Company on the purchase of shares of New Avatex Common Stock through the exercise of Warrants. The Warrant Agent shall advise the Company by telephone at the end of each day on which a payment for the exercise of Warrants is received of the amount so deposited to such account. The Warrant Agent shall promptly confirm such telephone advice to the Company in writing.

9.10 No Conflict. The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

9.11 Resignation; Termination. The Warrant Agent may resign its duties and be discharged from all further duties and liabilities hereunder (except liabilities arising as a result of the Warrant Agent's bad faith, negligence or willful misconduct), after giving thirty (30) days' prior written notice to the Company. The Company may remove the Warrant Agent upon thirty (30) days' written notice, and the Warrant Agent shall thereupon in like manner be discharged from all further duties and liabilities hereunder, except as to liabilities arising as a result of the Warrant Agent's bad faith, negligence or willful misconduct. The Company shall cause to be mailed promptly (by first class mail, postage prepaid) to each registered holder of a Warrant at such holder's last address as shown on the register of the Company, at the Company's expense, a copy of such notice of resignation or notice of removal, as the case may be. Upon such resignation or removal the Company shall promptly appoint in

writing a new warrant agent. Pending appointment of a successor to the Warrant Agent, the duties of the Warrant Agent shall be carried out by the Company. Any successor warrant agent shall be a corporation, incorporated under the laws of the United States or of any state thereof and authorized under such laws to exercise corporate trust powers, be subject to supervision and examination by Federal or state authority, and have a combined capital and surplus of not less than $100,000,000 as set forth in its most recent published annual report of condition. After acceptance in writing of such appointment by the new warrant agent it shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as the Warrant Agent, without any further assurance, conveyance, act or deed; but if for any reason it shall be necessary or expedient to execute and deliver any further assurance, conveyance, act or deed, the same shall be done at the expense of the Company and shall be legally and validly executed and delivered by the resigning or removed Warrant Agent. Not later than the effective date of any such appointment the Company shall file notice thereof with the resigning or removed Warrant Agent and shall forthwith cause a copy of such notice to be mailed (by first class, postage prepaid) to each registered holder of a Warrant at such holder's last address as shown on the register of the Company. Failure to give any notice provided for in this Section 9.11, or any defect in any such notice, shall not affect the legality or validity of the resignation of the Warrant Agent or the appointment of a new warrant agent, as the case may be.

9.12 Change of Warrant Agent. If at any time the name of the Warrant Agent shall be changed and at such time any of the Warrant Certificates shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignature under its prior name and deliver Warrant Certificates so countersigned; and if at that time any of the Warrant Certificates shall not have been countersigned, the Warrant Agent may countersign such Warrant Certificates either in its prior name or in its changed name; and in all such cases such Warrant Certificates shall have the full force and effect provided in the Warrant Certificates and this Agreement.

9.13 Successor Warrant Agent. Any corporation or entity into which the Warrant Agent or any new warrant agent may be merged or any corporation or entity resulting from any consolidation to which the Warrant Agent or any new warrant agent shall be a party or any corporation or entity succeeding to all or substantially all the agency business of the Warrant Agent or any new warrant agent shall be a successor Warrant Agent under this Agreement without any further act, provided that such corporation would be eligible for appointment as a new warrant agent under the provisions of Section 9.11 of this Article 9. The Company shall promptly cause notice of the succession as Warrant Agent of any such successor Warrant Agent to be mailed (by first class mail, postage prepaid) to each registered holder of a Warrant at its last address as shown on the register of the Company.

Article 10
REMEDIES, ETC.

10.1 Remedies. The Company stipulates that the remedies at law of each holder of a Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant Agreement are not and will not be adequate and that, to the fullest extent permitted by law, such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

10.2 Warrant Holder Not Deemed a Stockholder. Prior to the exercise of the Warrants represented thereby, no holder of a Warrant Certificate, as such, shall be entitled to any rights of a stockholder of the Company, including, but not limited to, the right to vote, to receive dividends or other distributions, to exercise any preemptive right or to receive any notice of meetings of stockholders, and no such holder shall be entitled to receive notice of any proceedings of the Company except as provided in this Agreement. Nothing contained in this Agreement shall be construed as imposing any liabilities on such holder to purchase any securities or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors or stockholders of the Company or otherwise.

10.3 Right of Action. All rights of action in respect of this Agreement are vested in the registered holders of the Warrants. Any registered holder of any Warrant, without the consent of the Warrant Agent or the registered holder of any other Warrant, may in such holder's own behalf and for such holder's own benefit enforce, and may institute and maintain any suit, action or proceeding against the Company suitable to enforce, or otherwise in respect of, such holder's right to exercise such holder's Warrants in the manner provided in the Warrant Certificate representing such Warrants and the Company's obligations under this Agreement and the Warrants.

Article 11
MISCELLANEOUS

11.1 Notices. Any notice, demand or delivery authorized by this Agreement shall be sufficiently given or made if sent by first class mail, postage prepaid, delivered by hand or delivered by overnight courier, in each case addressed to any registered holder of a Warrant at such holder's last known address appearing on the register of the Company or the Warrant Agent, and to the Company or the Warrant Agent as follows, or delivered by facsimile (in the case of notices to any registered holder, to the last known facsimile number of such holder appearing on the register of the Company or the Warrant Agent):

If to the Company:

Avatex Corporation
5910 N. Central Expressway
Suite 1780
Dallas, Texas 75206
Attn: General Counsel
Telephone: (214) 365-7450
Facsimile: (214) 365-7499

If to the Warrant Agent:

American Stock Transfer and Trust Company
40 Wall Street
New York, New York 10005
Attn: Corporate Trust Department
Telephone: (212) 936-5100
Facsimile: (718) 236-4588

or such other address as shall have been furnished in writing, in accordance with this Section 11.1, to the party giving or making such notice, demand or delivery.

11.2 Governing Law and Consent to Forum. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS. THE COMPANY AND THE WARRANT AGENT EACH HEREBY IRREVOCABLY SUBMIT TO THE JURISDICTION OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK OR ANY FEDERAL COURT SITTING IN THE CITY OF NEW

YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, AND EACH IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY PERSON TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY OTHER JURISDICTION.

11.3 Benefits of This Agreement. This Agreement shall be binding upon and inure to the benefit of the Company and the Warrant Agent and their respective successors and assigns, and the registered and beneficial holders from time to time of the Warrants and of holders of the Common Stock, where applicable. Nothing in this Agreement is intended or shall be construed to confer upon any other Person, any right, remedy or claim under or by reason of this Agreement or any part hereof.

11.4 Agreement of Holders of Warrant Certificates. Every holder of a Warrant Certificate, by accepting the same, covenants and agrees with the Company, the Warrant Agent and with every other holder of a Warrant Certificate that the Warrant Certificates are transferable on the registry books of the Warrant Agent only upon the terms and conditions set forth in this Agreement, and the Company and the Warrant Agent may deem and treat the person in whose name the Warrant Certificate is registered as the absolute owner for all purposes whatsoever and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

11.5 Counterparts. This Agreement may be executed in any number of counterparts and each such counterpart shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

11.6 Amendments. This Agreement may be amended by the parties hereto, without the consent of the holder of any Warrant Certificate, for the purpose of curing any manifest error, or of curing, correcting or supplementing any defective provision contained herein, or making any other provisions with respect to matters or questions arising under this Agreement as the Company and the Warrant Agent may deem necessary or desirable; provided, that such action shall not adversely affect the interests of the holders of the Warrant Certificates. Any other amendment shall require the consent of the holders of Warrants representing a majority in number of the then outstanding Warrants.

Any such modification or amendment will be conclusive and binding on all present and future holders of Warrant Certificates whether or not they have consented to such modification or amendment or waiver and whether or not notation of such modification or amendment is made upon such Warrant Certificates. Any instrument given by or on behalf of any holder of a Warrant Certificate in connection with any consent to any modification or amendment will be conclusive and binding on all subsequent holders of such Warrant Certificate.

11.7 Headings. The contents hereto and the descriptive headings of the several sections hereof are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

[Signatures on following page]

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

AVATEX CORPORATION

By: /s/ Melvyn J. Estrin

Melvyn J. Estrin
Co-Chief Executive Officer

AMERICAN STOCK TRANSFER AND TRUST COMPANY,
as Warrant Agent

By: /s/ Herbert J. Lemmer

Name: Herbert J. Lemmer
Title: Vice-President

EXHIBIT A

FORM OF WARRANT CERTIFICATE

(see attached)

[FORM OF FACE OF WARRANT CERTIFICATE]

CUSIP No. _____

Warrant No. 05349F11 3 Number of Warrant(s): _____

Exercisable During the Period that Commences at 9:00 a.m., New York City time, on March 7, 2000 and Terminates at 5:00 p.m., New York City time, on March 7, 2005 except as provided below

Void after 5:00 p.m., New York City time, on March 7, 2005.

WARRANT TO PURCHASE
COMMON STOCK, PAR VALUE $.01 PER SHARE,
OF
AVATEX CORPORATION

This Warrant Certificate certifies that _____ or registered assigns, is the registered owner of the number of warrants set forth above (the "Warrants"), each of which represents the right, at any time after 9:00 a.m., New York City time, on March 7, 2000, and before 5:00 p.m., New York City time, on March 7, 2005, to purchase from Avatex Corporation, a Delaware corporation (the "Company"), at the price per share of $2.25 (the "Exercise Price"), one share of Common Stock, $0.01 par value, of the Company as such stock was constituted as of December 7, 1999, subject to adjustment as provided in the Warrant Agreement hereinafter referred to, upon surrender hereof, with the subscription form on the reverse hereof duly executed, by hand or by mail to American Stock Transfer and Trust Company, 40 Wall Street, New York, New York 10005, Attention: Corporate Trust Department, or to any successor thereto, as the warrant agent under the Warrant Agreement, at the office of such successor maintained for such purpose (any such warrant agent being herein called the "Warrant Agent"), and simultaneous payment in full (by certified or official bank or bank cashier's check payable to the order of the Company, or by wire transfer of immediately available funds to an account designated by the Warrant Agent for the benefit of the Company) of the Exercise Price in respect of each Warrant represented by this Warrant Certificate that is so exercised, all subject to the terms and conditions hereof and of the Warrant Agreement.

Upon any partial exercise of the Warrants represented by this Warrant Certificate, there shall be issued to the holder hereof a new Warrant Certificate representing the Warrants that were not exercised.

No fractional shares may be issued upon the exercise of rights to purchase hereunder, and as to any fraction of a share otherwise issuable, the Company will make a cash payment in lieu of such issuance, as provided in the Warrant Agreement.

This Warrant Certificate is issued under and in accordance with a Warrant Agreement, dated as of December 7, 1999 (the "Warrant Agreement"), between the Company and American Stock Transfer and Trust Company, as Warrant Agent, and is subject to the terms and provisions contained therein.

The Warrant Agreement is hereby incorporated by reference in and made a part of this instrument and is hereby referred to for a description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Warrant Agent, the Company and the registered holders of the Warrants. The holder of this Warrant Certificate consents to all terms and provisions of the Warrant Agreement by acceptance hereof. Copies of the Warrant Agreement are on file at the above-mentioned office of the Warrant Agent and may be obtained by writing to the Warrant Agent.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS WARRANT SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

This Warrant Certificate shall not be valid unless countersigned by the Warrant Agent.

Dated: _____ __, _____

AVATEX CORPORATION

By:_____
Name:
Title:

Countersigned:

AMERICAN STOCK TRANSFER AND TRUST COMPANY,
as Warrant Agent

By:

Name:
Title:

[FORM OF REVERSE OF WARRANT CERTIFICATE]

AVATEX CORPORATION

The transfer of this Warrant Certificate and all rights hereunder is registrable by the registered holder hereof, in whole or in part, on the register of the Company upon surrender of this Warrant Certificate at the office or agency of the Company or the office of the Warrant Agent maintained for such purpose at American Stock Transfer and Trust Company, 40 Wall Street, New York, New York 10005 attention: Corporate Trust Department, duly endorsed or accompanied by a written instrument of transfer duly executed and in form satisfactory to the Company and the Warrant Agent, by the registered holder hereof or his attorney duly authorized in writing and upon payment of any necessary transfer tax or other governmental charge imposed upon such transfer or registration thereof. Upon any partial transfer the Company will cause to be delivered to such holder a new Warrant Certificate or Certificates with respect to any portion not so transferred.

This Warrant Certificate may be exchanged at the office of the Warrant Agent maintained for such purpose at American Stock Transfer and Trust Company, 40 Wall Street, New York, New York 10005 attention: Corporate Trust Department, for Warrant Certificates representing the same aggregate number of Warrants, each new Warrant Certificate to represent such number of Warrants as the holder hereof shall designate at the time of such exchange.

Prior to the exercise of the Warrants represented hereby, the holder of this Warrant Certificate, as such, shall not be entitled to any rights of a stockholder of the Company, including, but not limited to, the right to vote, to receive dividends or other distributions, to exercise any preemptive right or to receive any notice of meetings of stockholders, and shall not be entitled to receive notice of any proceedings of the Company except as provided in the Warrant Agreement. Nothing contained herein shall be construed as imposing any liabilities upon the holder of this Warrant Certificate to purchase any securities or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors or stockholders of the Company or otherwise.

This Warrant Certificate shall be void and all rights represented hereby shall cease unless exercised before the close of business (i.e., 5:00 p.m., New York City time) on March 7, 2005.

Witness the facsimile seal of the Company and the signature

of its duly authorized officer.

SUBSCRIPTION FORM
(TO BE EXECUTED ONLY UPON EXERCISE OF WARRANT)

TO AVATEX CORPORATION
American Stock Transfer and Trust Company, as Warrant Agent

Attention: _____

The undersigned (i) irrevocably exercises ___ Warrants represented by the within Warrant Certificate, (ii) purchases [_____ shares] of common stock, par value $.01 per share, of Avatex Corporation (before giving effect to the adjustments provided in the Warrant Agreement referred to in the within Warrant Certificate) for each Warrant so exercised and herewith makes payment in full of the purchase price of $2.25 in respect of each Warrant so exercised as provided in the Warrant Agreement (such payment being by certified or official bank or bank cashier's check payable to the order of Avatex Corporation, or by wire transfer of immediately available funds to an account designated by the Warrant Agent for the benefit of Avatex Corporation), all on the terms and conditions specified in the within Warrant Certificate and the Warrant Agreement, (iii) surrenders this Warrant Certificate and all right, title and interest to the exercised Warrants to Avatex Corporation and (iv) directs that the securities or other property deliverable upon the exercise of such Warrants be registered or placed in the name and at the address specified below and delivered thereto.

Dated: _____, ____

(Owner)*

(Signature of Authorized Representative)

(Street Address)

(City) (State) (Zip Code)

Securities or property to be issued and delivered to:

Signature Guaranteed**

Please insert social security or other identifying number

Name *

Street Address

City, State and Zip Code

---

* The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever.

** The signature must be guaranteed by a securities transfer agents medallion program ("stamp") participant or an institution receiving prior approval from the Warrant Agent.

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered holder of the within Warrant Certificate hereby sells, assigns and transfers unto the Assignee named below all of the rights of the undersigned under the within Warrant Certificate, with respect to the number of warrants set forth below:

Name of Assignee	Address	No. of Warrants

Please insert social security or other identifying number of Assignee

---

and does hereby irrevocably constitute and appoint _____ attorney to make such transfer on the books of Avatex Corporation maintained for the purpose, with full power of substitution in the premises.

Dated: _____, ____

Name *

Signature of Authorized Representative _____

Signature Guaranteed **

---

* The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever.

** The signature must be guaranteed by a securities transfer agents medallion program ("stamp") participant or an institution receiving prior approval from the Warrant Agent.

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

THIS SECOND AMENDMENT TO EMPLOYMENT AGREEMENT (this "Amendment"), effective as of December 6, 1999, is entered into by and between Avatex Corporation (the "Company"), and Abbey J. Butler (the"Executive").

WHEREAS, the Company and the Executive are parties to an Employment Agreement dated and effective as of February 27, 1995, as amended by the amendment thereto dated as of February 1, 1998 (the "Agreement"); and

WHEREAS, in connection with the merger involving the Company and Xetava Corporation and the related transactions that are being consummated on or about December 6, 1999, Houlihan Lokey Howard & Zukin Financial Advisors, Inc. is providing certain opinions on which the Company's Board of Directors is relying, including an opinion with respect to the solvency of the Company (the "Opinion"); and

WHEREAS, the Opinion is conditioned on, among other things, the Company and the Executive entering into this Amendment;

NOW, THEREFORE, the Company and the Executive hereby agree that the Agreement shall be, and hereby is, amended by adding a new Section 5(e) to the Agreement, immediately following the unnumbered paragraph beginning with the words "Without in any way limiting ...," as follows:

> Notwithstanding anything in this Agreement to the contrary, the Executive hereby waives his right to immediate payment of any severance or other benefits if his employment with the Company is terminated by the Company for reasons other than those set forth in Subsection 5(c) hereof or if there is Termination Without Just Cause by the Executive under Section 5(d) hereof, provided that (i) such waiver shall not apply to any termination pursuant to the terms of the paragraph immediately preceding this subsection (other than as a result of the merger involving the Company and Xetava Corporation and the related transactions that are being consummated on or about December 6, 1999 (the "Merger"), or actions involving Phar-Mor, Inc. or other entities affiliated with the Executive, in which case the foregoing waiver will apply), and (ii) notwithstanding such waiver, severance and other benefits may be deferred and paid after (x) the promissory note dated October 9, 1997 executed by the Company in favor of Bart A. Brown, Jr., as Trustee, and (y) the promissory notes issued in connection with the Merger to certain electing preferred stock holders of the Company, are paid or otherwise satisfied, at which time the waiver will expire.

Except as expressly provided in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment effective on the date and year first above written.

AVATEX CORPORATION

By: /s/ Melvyn J. Estrin

Melvyn J. Estrin
Co-Chief Executive Officer

/s/ Abbey J. Butler

Abbey J. Butler

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

THIS SECOND AMENDMENT TO EMPLOYMENT AGREEMENT (this "Amendment"), effective as of December 6, 1999, is entered into by and between Avatex Corporation (the "Company"), and Melvyn J. Estrin (the "Executive").

WHEREAS, the Company and the Executive are parties to an Employment Agreement dated and effective as of February 27, 1995, as amended by the amendment thereto dated as of February 1, 1998 (the "Agreement"); and

WHEREAS, in connection with the merger involving the Company and Xetava Corporation and the related transactions that are being consummated on or about December 6, 1999, Houlihan Lokey Howard & Zukin Financial Advisors, Inc. is providing certain opinions on which the Company's Board of Directors is relying, including an opinion with respect to the solvency of the Company (the "Opinion"); and

WHEREAS, the Opinion is conditioned on, among other things, the Company and the Executive entering into this Amendment;

NOW, THEREFORE, the Company and the Executive hereby agree that the Agreement shall be, and hereby is, amended by adding a new Section 5(e) to the Agreement, immediately following the unnumbered paragraph beginning with the words "Without in any way limiting ...," as follows:

> Notwithstanding anything in this Agreement to the contrary, the Executive hereby waives his right to immediate payment of any severance or other benefits if his employment with the Company is terminated by the Company for reasons other than those set forth in Subsection 5(c) hereof or if there is Termination Without Just Cause by the Executive under Section 5(d) hereof, provided that (i) such waiver shall not apply to any termination pursuant to the terms of the paragraph immediately preceding this subsection (other than as a result of the merger involving the Company and Xetava Corporation and the related transactions that are being consummated on or about December 6, 1999 (the "Merger"), or actions involving Phar-Mor, Inc. or other entities affiliated with the Executive, in which case the foregoing waiver will apply), and (ii) notwithstanding such waiver, severance and other benefits may be deferred and paid after (x) the promissory note dated October 9, 1997 executed by the Company in favor of Bart A. Brown, Jr., as Trustee, and (y) the promissory notes issued in connection with the Merger to certain electing preferred stock holders of the Company, are paid or otherwise satisfied, at which time the waiver will expire.

Except as expressly provided in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment effective on the date and year first above written.

AVATEX CORPORATION

By: /s/ Abbey J. Butler

Abbey J. Butler
Co-Chief Executive Officer

/s/ Melvyn J. Estrin

Melvyn J. Estrin

For: Avatex Corporation

Contact: Grady E. Schleier
Senior Vice President and Chief Financial Officer
(214) 365-7450

AVATEX CORPORATION ANNOUNCES STOCKHOLDER APPROVAL OF PROPOSED MERGER AND ELECTION OF DIRECTORS

DALLAS, TX -- December 6, 1999-- Avatex Corporation (OTC Bulletin Board: AVAX) announced that, at today's annual meeting of stockholders, its common and preferred stockholders approved the previously announced proposed merger of Avatex and Xetava Corporation. Approximately 76% of the holders of Avatex's $5.00 cumulative convertible preferred stock, 76% of the holders of its $4.20 cumulative exchangeable preferred stock, and 66% of the holders of its common stock voted in favor of the merger. Avatex also announced that the Delaware Court of Chancery approved the settlement of certain litigation that had been brought on behalf of holders of Avatex preferred stock in 1998. The litigation was settled in consideration for the terms of the merger agreement approved by Avatex's stockholders and certain other consideration.

Under the merger, Xetava will merge with and into Avatex, and Avatex's existing preferred stockholders will receive new common stock of Avatex or a combination of cash, secured notes, warrants and other consideration. Avatex's existing common stockholders will receive new common stock of Avatex. Avatex expects the transaction to close on Tuesday, December 7, 1999, after which its new common stock, notes and warrants may be available for trading, and its existing $5.00 preferred stock and $4.20 preferred stock will cease to be outstanding.

In addition, Avatex announced that holders of its common stock re-elected four members of its Board of Directors at the annual meeting. William A. Lemer and John L. Wineapple were re-elected to serve on the Board until Avatex's annual meeting of stockholders in 2001, and Abbey J. Butler and Melvyn J. Estrin were re-elected to serve on the Board until Avatex's annual meeting of stockholders in 2002.

Avatex is a holding company that, along with its subsidiaries, owns interests in other corporations and partnerships. Through Phar-Mor, Inc., its 38% owned subsidiary, Avatex is involved in operating a chain of retail discount drug stores devoted to the sale of prescription and over-the-counter drugs, health and beauty aids and other general merchandise.

For: Avatex Corporation

Contact: Grady E. Schleier
Senior Vice President and Chief Financial Officer
(214) 365-7450

AVATEX CORPORATION ANNOUNCES CLOSING OF MERGER WITH XETAVA CORPORATION RESULTING IN CANCELLATION OF PREFERRED STOCK OUTSTANDING

DALLAS, TX -- December 7, 1999 -- Avatex Corporation (OTCBB: AVAT) announced today that it has completed its previously announced merger with Xetava Corporation, in which Xetava merged into Avatex. As previously announced, at Avatex's meeting of stockholders on December 6, 1999, the merger was approved by approximately 76% of the holders of its $5.00 cumulative convertible preferred stock, 76% of the holders of its $4.20 cumulative exchangeable preferred stock, and 66% of the holders of its common stock.

Under the merger, Avatex's existing preferred stockholders will receive new common stock of Avatex or, at the election of the stockholder made prior to the merger, a combination of cash, secured notes, warrants and other consideration. Based on the fixed exchange ratios specified in the merger agreement, the total amount of cash being distributed to electing preferred stockholders under the merger is approximately $12,858,000, the total face amount of 6.75% notes due 2002 being issued by Avatex's wholly-owned subsidiary, Avatex Funding, Inc., to electing preferred stockholders is approximately $28,668,000, and the total number of warrants to purchase new Avatex Class A common stock being issued to electing preferred stockholders is approximately 2,319,000. In addition, electing preferred stockholders received a deferred contingent right to receive a specified percentage of any net recovery that Avatex may receive in certain litigation against McKesson Corporation and various pharmaceutical manufacturers, subject to certain limits.

Based on the fixed exchange ratios specified in the merger agreement, the preferred stockholders that did not elect to receive combination of cash, secured notes, warrants and other consideration in the merger are being issued a total of approximately 5,840,000 shares of new Avatex Class A common stock. Avatex's existing common stock also converts into new Avatex Class A common stock on a one-for-one basis for their existing common stock. As a result, there are now approximately 19,647,000 shares of Class A common stock outstanding, and Avatex's pre-existing $5.00 preferred stock and $4.20 preferred stock are no longer outstanding.

Beginning today, Avatex's Class A common stock will be quoted for trading on the OTC Bulletin Board System under the symbol "AVAT", and warrants to purchase its Class A common stock will also be quoted for trading on the OTC Bulletin Board System under the symbol "AVATW". Avatex Funding's 6.75% notes due 2002 will be quoted for trading on the National Quotation Bureau "yellow sheets(TM)".

Avatex also announced today that, as a result of the merger, all of its preferred stock and the related cumulative unpaid dividends were canceled. This results in a reduction of Avatex's entire $186.3 million redeemable preferred stock liability and a corresponding reduction of $77.8 million in the cumulative unpaid dividend liability. Subject to finalizing (i) the valuation of Avatex's Class A common stock and warrants issued in the merger, (ii) the discount rate to be used for the 6.75% notes due 2002 issued in the merger, and (iii) the total amount of expenses related to the merger, Avatex believes that it will recognize an increase in its stockholders' equity of approximately $214 to $218 million. In addition, as a result of the purchase by Phar-Mor, Inc. of additional shares of Avatex's common stock simultaneously with the closing of the merger, Phar-Mor now owns a total of approximately 25% of Avatex's new Class A common stock. Phar-Mor's additional purchase of Avatex common stock will result in an additional charge to Avatex's stockholders' equity of approximately $2.2 million as of December 7, 1999.

Avatex is a holding company that, along with its subsidiaries, owns interests in other corporations and partnerships. Through Phar-Mor, Inc., its 38% owned subsidiary, Avatex is involved in operating a chain of retail discount drug stores devoted to the sale of prescription and over-the-counter drugs, health and beauty aids and other general merchandise.