

**ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDER
TO AID PUBLIC COMMENT**

*In the Matter of Hexion LLC and Huntsman Corporation
File No. 0710212*

I. Introduction

The Federal Trade Commission (“Commission”) has accepted, subject to final approval, an Agreement Containing Consent Order from Hexion LLC and Huntsman Corporation (“Respondents”). The Consent Agreement is intended to resolve anticompetitive effects stemming from Hexion LLC’s (“Hexion”) proposed acquisition of Huntsman Corporation (“Huntsman”). The Consent Agreement includes a proposed Decision and Order that requires Respondent Hexion to divest its Specialty Epoxy Resin Product Business, which includes the research, development, manufacture, distribution, marketing, and sale of each Specialty Epoxy Resin Product; its Stuttgart (Germany) Assets; and other assets related to such business, including, but not limited to, Duisburg (Germany), parts of Norco (Louisiana), Bedford Park (Illinois), and Houston (Texas); among other things. The proposed Decision and Order also requires the licensing of all Hexion intellectual property related to the production of Specialty Epoxy Resins. The Decision and Order calls for divestiture of Hexion’s Specialty Epoxy Business to Spolek Pro Chemickou A Hutni Vyrobu (“Spolek or Spolchemie”), or another Commission-approved buyer in the event that Spolek is determined not to be acceptable.

Additionally, the Decision and Order requires Hexion to institute procedures to ensure that the methylene diphenyl diisocyanate or diphenylmethane diisocyanate (“MDI”) business it acquired from Huntsman not have access directly or indirectly to competitively sensitive non-public information obtained by its formaldehyde division.

The proposed Consent Agreement and Decision and Order are designed to address competition concerns in the Specialty Epoxy Resin and MDI markets. The Consent Agreement, if finally accepted by the Commission, would settle charges that the proposed acquisition may substantially lessen competition in the various application specific end-use markets for Specialty Epoxy Resins and the market for MDI. The Commission has reason to believe that Respondent’s proposed acquisition would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

II. The Proposed Complaint

According to the Commission’s proposed complaint, the relevant product markets in which to analyze the effects of Huntsman’s sale of assets to Hexion are the markets for the development, manufacture, and sale of Specialty Epoxy Resins, various application specific end-use markets in North America in which these resins are used, and the market for MDI.

Specialty epoxy resins are value added high performance epoxy resin products, including, but not limited to, blends, formulations, advanced resins, and multifunctional resins. Specialty Epoxy Resins are used with curing agents, modifiers, and other ingredients and components necessary to the use of these resins. Specialty Epoxy Resins are used in demanding applications where enhanced performance is required, such as aerospace composites, wind turbine blades, and electric power generation applications. The relevant geographic market is North America. Additionally, Specialty Epoxy resins sold into each application segment constitute distinct application specific end-use product markets.

MDI is a diisocyanate chemical used in various applications, including construction insulation, refrigeration, and composite wood products. Formaldehyde, a versatile chemical, is an essential ingredient used in the manufacture of MDI. It provides useful characteristics such as desirable insulating and mechanical properties, while avoiding many of the harmful characteristics associated with the use of pure formaldehyde, which is a carcinogen. The relevant geographic market is North America.

The proposed complaint alleges that the various application specific end-use markets for Specialty Epoxy Resins in North America and the market for MDI are highly concentrated. Hexion and Huntsman have been the primary competitors in the market for Specialty Epoxy Resins for many years. According to the proposed complaint, Hexion and Huntsman account for between 90 and 60 percent of sales in the various application specific end-use markets in North America. They each had close to \$1 billion in sales of Specialty Epoxy Resins in 2007. There are only four producers of MDI in the United States: Huntsman, Dow Chemical, BASF, and Bayer. MDI imports are minimal, and Hexion provides formaldehyde to all MDI producers in the U.S., except Dow. Hexion, as a supplier of formaldehyde to MDI producers, receives competitively sensitive non-public information from three of the four MDI producers. Such information includes MDI production forecasts, MDI demand forecasts and updates to these forecasts on a weekly basis, MDI projected long term forecasts, and schedules for periodic shutdowns of MDI production facilities supplied by Hexion. Thus, the market for MDI and the formaldehyde used in its production is highly concentrated. Total U.S. sales of MDI in 2007 were approximately \$2 billion.

The proposed complaint alleges that the proposed acquisition would reduce competition for Specialty Epoxy Resins in the various application specific end-use markets in North America by eliminating direct competition between these two companies, and by increasing the likelihood that unilateral market power will be exercised. As to MDI, the complaint alleges that the likelihood of coordinated interaction among competitors is increased as a result of the proposed acquisition.

III. Terms of the Proposed Order

Under the proposed Decision and Order, Hexion will divest its Specialty Epoxy Resins

Business, and related assets, to Spolek within ten (10) days after Hexion acquires Huntsman. Spolek, based in the Czech Republic, develops, manufactures, and markets a wide range of commodity or basic epoxy resins. The divestiture will allow Spolek to enter the Specialty Epoxy Resins market. Similar to Hexion, post-divestiture Spolek will participate in both the commodity and Specialty Epoxy Resins markets, which will position Spolek to compete effectively in the market.

The proposed Decision and Order requires Hexion to divest its Duisburg, Germany; Stuttgart, Germany; Norco, Louisiana; Bedford Park, Illinois; and Houston, Texas facilities and their related assets. This will provide Spolek all assets and know-how necessary for the research, development, production and sale of Specialty Epoxy Resins.

In addition, the proposed Decision and Order requires Hexion to institute procedures to ensure that its acquired MDI business not have access directly, or indirectly, to competitively sensitive non-public information obtained by its formaldehyde division. The Decision and Order prohibits Hexion from using any competitively sensitive non-public information obtained from its competitors in an anticompetitive manner.

IV. Opportunity for Public Comment

The proposed Decision and Order has been placed on the public record for thirty (30) days to receive comments by interested persons. Comments received during this period will become part of the public record. After thirty (30) days, the Commission will review the Consent Agreement and comments received and decide whether to withdraw its agreement or make final the Consent Agreement's proposed Order.

The purpose of this analysis is to facilitate public comment on the proposed Decision and Order. This analysis is not intended to constitute an official interpretation of the Consent Agreement and the proposed Decision and Order.