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UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

COMMISSIONERS: **William E. Kovacic, Chairman**
Pamela Jones Harbour
Jon Leibowitz
J. Thomas Rosch

In the Matter of

HEXION LLC,
a limited liability company;

and

HUNTSMAN CORPORATION,
a corporation.

Docket No. C-4235

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and of the Clayton Act, and by virtue of the authority vested by said Acts, the Federal Trade Commission (the "Commission"), having reason to believe that respondents Hexion LLC ("Hexion"), a corporation, and Huntsman Corporation ("Huntsman"), both subject to the jurisdiction of the Commission, have agreed to an acquisition of Huntsman by Hexion in violation of 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, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges as follows:

I. RESPONDENTS

1. Respondent Hexion LLC is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 180 East Broad Street, Columbus, OH, 43215. Hexion LLC, through its Hexion Specialty Chemicals, Inc. subsidiary, is engaged in a wide variety of businesses, including the development, manufacture, marketing, and sale of specialty epoxy resins and formaldehyde.

2. Respondent Huntsman is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 500 Huntsman Way Salt Lake City, Utah, 84108. Huntsman is a global company engaged in a wide variety of businesses, including the development, manufacture, marketing, and sale of Specialty Epoxy Resins and Methyl Diisocyanate or Diphenylmethane Diisocyanate ("MDI").

II. JURISDICTION

3. Huntsman and Hexion are, and at all times relevant herein have been, engaged in commerce as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and are corporations whose businesses are in or affect commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

III. THE PROPOSED TRANSACTION

4. Hexion has proposed to acquire Huntsman. The acquisition agreement requires Hexion to pay approximately $10.6 billion. Pursuant to that agreement, Hexion will acquire Huntsman shares and certain outstanding debts of Huntsman.

IV. THE RELEVANT PRODUCT MARKETS

5. Paragraphs 1-4 are incorporated by reference as if fully set forth herein.

A. Specialty Epoxy Resins

6. One relevant line of commerce within which to analyze the likely effects of the proposed transaction is the market for Specialty Epoxy Resins. Specialty Epoxy Resins are value added high performance epoxy resin products, including, but not limited to, blends, formulations, advanced resins, as well as multifunctional resins. The Specialty Epoxy resins sold into each application segment constitute distinct application specific end-use product markets. These resins are sold in conjunction with curing agents, modifiers, and other ingredients and components necessary to the use of these resins.

7. For example, Specialty Epoxy Resins are used in aerospace and wind turbine blade applications because of their heat resistance and mechanical properties. In aerospace composite applications they provide low weight, thermal reliability, and exceptional mechanical properties. Specialty Epoxy Resins are used in wind blade application because of, among other things, their low weight, tensile strength, and dimensional stability. Consequently, there are no practical and cost effective substitutes for these products. Each of the end-use application markets is highly concentrated as there are few qualified suppliers of Specialty Epoxy Resins for these applications.

8. Due to their enhanced performance, as compared to basic epoxy resins and other chemicals, Specialty Epoxy Resins are used in a wide range of demanding applications where enhanced performance is required. Due to their superior properties and cost-effectiveness,

customers have stated they would not switch away from Specialty Epoxy Resins in response to a small but significant and non-transitory increase in their price.

9. The relevant geographic area within which to analyze the likely effects of the proposed transaction in the market for the production and sale of Specialty Epoxy Resins is North America. Due to the need for domestic supply and customer qualification requirements, among other impediments, customers in North America would not switch to foreign firms to any appreciable degree in response to a small but significant and non-transitory increase in their price.

B. The Methyl Diisocyanate or Diphenylmethane Diisocyanate ("MDI") Market

10. Another relevant line of commerce within which to analyze the likely effects of the proposed transaction is the Methyl Diisocyanate or Diphenylmethane Diisocyanate ("MDI") market. The terms Methyl Diisocyanate and Diphenylmethane Diisocyanate are synonymous. MDI is a chemical that comes in various forms, but the bulk of sales are in the polymeric form (similar to the form in which plastics are produced). MDI is used to manufacture polyurethane foam (rigid and flexible), binders, and polyurethane elastomers. It is a chemical used in various applications, including construction insulation, refrigeration, and composite wood products. Because of its desirable properties, customers have stated they would not switch to other chemicals in response to a small but significant and non-transitory increase in the price of MDI.

11. Formaldehyde is a versatile chemical and an essential ingredient used in the manufacture of MDI. It provides useful characteristics such as desirable insulating and mechanical properties. Moreover, its use in MDI provides consumers with the benefit of its desirable characteristics, while avoiding some of the harmful characteristics associated with the use of pure formaldehyde, which is a carcinogen. Formaldehyde is also used in a variety of applications other than MDI, including particle boards, oriented strand boards, laminates, and adhesives

12. The relevant geographic area within which to analyze the likely effects of the proposed transaction in the MDI market is North America. MDI imports are minimal as it is generally consumed in the geographic region in which it is produced. Moreover, it is not practical to import these products due to the deterioration of these products during transport over long distances. Consequently, there are minimal imports of MDI into North America and customers in North America would not switch to foreign firms to any appreciable degree in response to a small but significant and non-transitory increase in their price.

V. MARKET STRUCTURE

13. The overall market for Specialty Epoxy Resins is highly concentrated. Additionally, as stated above, each of the application specific end-use markets is also highly concentrated. Hexion and Huntsman are leading competitors in the design, manufacture, and sale of Specialty Epoxy Resins accounting for between 60 and 90 percent of sales in the various application specific end-use markets in North America. Hexion and Huntsman each had close to

$1 billion in sales of Specialty Epoxy Resins in 2007.

14. The market for MDI is highly concentrated. There are only four producers of MDI in the United States: Huntsman, Dow Chemical, BASF, and Bayer. MDI imports are minimal as it is generally consumed in the geographic region in which it is produced. Hexion supplies formaldehyde to all the U.S. MDI producers, except Dow. Consequently, 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.

15. Hexion, as a supplier of formaldehyde to MDI producers, receives competitively sensitive non-public information from three of the four MDI producers in North America. Such information includes, but is not limited to, MDI production forecasts, MDI demand forecasts and updates to these forecasts on a weekly basis as well as projected long term MDI demand forecasts for the next 6 to 12 months, and schedules for periodic shutdowns of MDI production facilities.

VI. CONDITIONS OF ENTRY

16. Entry into the overall Specialty Epoxy Resins market and the various application specific end-use markets in North America would not be timely, likely, or sufficient in magnitude, character, and scope to deter or counteract the anticompetitive effects of the merger.

17. Entry into the MDI market would not be timely, likely, or sufficient in magnitude, character, and scope to deter or counteract the anticompetitive effects of the merger.

18. In the Specialty Epoxy Resins market and the various application specific end-use markets in North America, it is costly to build facilities to produce these resins and the entrant is required to incur substantial sunk costs. Respondents have portfolios of over 100 patents covering their resins, and long and costly qualification requirements and capacity constraints add to the difficulty of entry, among other things. In the MDI market, entry takes several years and is very expensive with a significant sunk cost component included in MDI entry costs.

VII. COMPETITIVE EFFECTS OF THE PROPOSED ACQUISITION

19. The effects of the transaction, if consummated, may be substantially to lessen competition and tend to create a monopoly in each of the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45; in the following ways, among others:

a. by eliminating actual, direct, and substantial competition between Hexion and Huntsman in the Specialty Epoxy Resins market and the various application specific end-use markets in North America;

b. by increasing the likelihood that Hexion will exercise market power unilaterally in the market for Specialty Epoxy Resins and the various application specific end-use markets in North America; and

c. by increasing the likelihood of coordinated interaction among competitors in the market for MDI.

20. The agreement described in Paragraph 4 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

21. The merger described in Paragraph 4, if consummated, would constitute a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this second day of October, 2008, issues its Complaint against said Respondents.

By the Commission.

Donald S. Clark
Secretary

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