

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of)
)
)
The Dow Chemical Company,) File No. 971-0105
a corporation.)
)

AGREEMENT CONTAINING CONSENT ORDER

The Federal Trade Commission ("the Commission"), having initiated an investigation of the proposed acquisition by The Dow Chemical Company ("Dow"), through its wholly-owned subsidiary, Dow South Africa Holdings (Pty) Ltd., of the entire issued share capital of Sentrachem Limited ("Sentrachem"), which in turn owns Hampshire Chemical Corporation ("Hampshire"), and it now appearing that Dow, hereinafter sometimes referred to as "proposed respondent," is willing to enter into an agreement containing an order to divest certain assets and providing for other relief:

IT IS HEREBY AGREED by and between the proposed respondent, by its duly authorized representative and its outside counsel, and counsel for the Commission that:

1. Proposed respondent Dow is a corporation organized, existing and doing business under and by virtue of the laws of the state of Delaware, with its office and principal place of business located at 2030 Dow Center, Midland, Michigan 48674.
2. The proposed respondent admits all the jurisdictional facts set forth in the draft of complaint here attached.
3. The proposed respondent waives:
 - a. any further procedural steps;
 - b. the requirement that the Commission's decision contain a statement of findings of fact and conclusions of law;
 - c. all rights to seek judicial review or otherwise to challenge or contest the validity of the Order entered pursuant to this agreement; and

d. any claim under the Equal Access to Justice Act.

4. This agreement shall not become part of the public record of the proceeding unless and until it is accepted by the Commission. If this agreement is accepted by the Commission, it, together with the draft of complaint contemplated thereby, will be placed on the public record for a period of sixty (60) days and information with respect thereto will be publicly released. The Commission thereafter may either withdraw its acceptance of this agreement and so notify the proposed respondent, in which event it will take such action as it may consider appropriate, or issue and serve its complaint (in such form as the circumstances may require) and decision, in disposition of the proceeding.

5. Proposed respondent shall submit within thirty (30) days after the date this agreement is accepted by the Commission for public comment, an initial report pursuant to Commission Rule 2.33, 16 C.F.R. § 2.33, signed by the proposed respondent, setting forth in detail the manner in which the proposed respondent has complied and will comply with Paragraphs II and III of the attached proposed Order.

6. This agreement is for settlement purposes only and does not constitute an admission by the proposed respondent that the law has been violated as alleged in the draft of complaint here attached or that the facts as alleged in the draft complaint, other than jurisdictional facts, are true.

7. This agreement contemplates that, if it is accepted by the Commission, and if such acceptance is not subsequently withdrawn by the Commission pursuant to the provisions of Commission Rule 2.34, 16 C.F.R. § 2.34, the Commission may, without further notice to the proposed respondent, (1) issue its complaint, corresponding in form and substance with the attached draft of complaint, and its decision containing the following Order to divest and to cease and desist in disposition of the proceeding and (2) make information public with respect thereto. When so entered, the Order shall have the same force and effect, and may be altered, modified or set aside in the same manner and within the same time as provided by statute for other orders. The Order shall become final upon service. Delivery by U.S. Postal Service of the complaint and decision containing the agreed-to Order to proposed respondent or respondent's counsel at the address contained in this agreement shall constitute service. Proposed respondent waives any right it may have to any other manner of service. The complaint may be used in construing the terms of the Order, and no agreement, understanding, representation, or interpretation not contained in the Order or this agreement may be used to vary or contradict the terms of the Order.

8. Proposed respondent has read the proposed complaint and Order contemplated hereby. Proposed respondent understands that once the Order has been issued, it will be required to file one or more compliance reports showing that it has fully complied with the Order. Proposed respondent agrees to comply with Paragraphs II, III, IV.D., VII, and VIII as if final from the date it signs this agreement. Proposed respondent further understands that it may be liable for civil penalties in the amount provided by law for each violation of the Order after it

becomes final.

ORDER

I

IT IS ORDERED that, as used in this Order, the following definitions shall apply:

A. “Commission” means the Federal Trade Commission.

B. “Respondent” or “Dow” means The Dow Chemical Company, its directors, officers, employees, agents and representatives, its predecessors, successors, and assigns; subsidiaries, divisions, and groups and affiliates controlled by Dow, and the respective directors, officers, employees, agents, representatives, successors and assigns of each.

C. “Sentrachem” means Sentrachem Limited, a South African company, with its principal place of business at 5 Protea Place Sandown 2196, 2146 Sandton, Republic of South Africa.

D. “Hampshire” means Hampshire Chemical Corporation, a wholly-owned subsidiary of Sentrachem Limited, with its principal place of business at 55 Hayden Avenue, Lexington, Massachusetts 02173.

E. “Akzo” means Akzo Nobel N.V., a company located in The Netherlands, with its principal place of business at Velperweg 76, 6800 SB Arnhem, The Netherlands, and its subsidiary Akzo Nobel Chemicals Inc.

F. “Acquisition” means the acquisition by Dow, through its subsidiary, Dow South Africa Holdings (Pty) Ltd., of the entire issued share capital of Sentrachem Limited.

G. “Chelating Agents” means chemicals used to react with metal ions to form ring structures incorporating the metal ion within the molecule.

H. “Chelant Products” means ethanoldiglycine sodium (“EDG”) and diethanolglycine sodium (“DEG”) and aminopolycarboxylic acids and salts, including, but not limited to, ethylenediaminetetraacetic acid (“EDTA”), diethylenetriaminepentaacetic acid (“DTPA”), hydroxyethylenediaminetriacetic acid (“HEDTA”), nitrilotriacetic acid (“NTA”), ethylenediaminetriacetic (“ED3A”), and the salts and nitrile precursors of EDTA, DTPA, HEDTA, ED3A, and any other Chelating Agents, but excluding propylenediaminetetraacetic acid (“PDTA”).

I. “Hampshire Chelant Products” means all Chelant Products that have been, at any time in the two (2) years preceding the Acquisition, researched, developed, manufactured, distributed

or sold by Hampshire in the United States or Canada, including, but not limited to, all projects in research and development by Hampshire that relate to improving existing or developing new Chelant Products, or improving processes for manufacturing Chelant Products.

J. “Hampshire Non-Chelant Products” means any product other than Hampshire Chelant Products, that have been, at any time in the two (2) years preceding the Acquisition, researched, developed, manufactured, distributed, or sold at the Lima Facility or Other Hampshire Facilities, including, but not limited to, all projects in research and development by Hampshire that relate to improving existing or developing new Hampshire Non-Chelant Products, or improving processes for manufacturing Hampshire Non-Chelant Products.

K. “Hampshire Products” means Hampshire Chelant Products and Hampshire Non-Chelant Products.

L. “Lima Facility” means Hampshire’s Lima, Ohio manufacturing facility.

M. “Other Hampshire Facilities” means Hampshire’s facilities located at Deer Park, Texas and Nashua, New Hampshire.

N. “Akzo Lima Expansion” means such improvements, additions, and expansions to the Lima Facility to produce no less than 175 million pounds per annum (on a solution pound basis) of Chelant Products and to provide sufficient hydrogen cyanide (“HCN”), nitrile, and other raw material storage, Chelant Products warehouse space and related facilities, to enable the Hampshire Chelant Business to operate at sustained levels of output no less than 175 million pounds per annum (on a solution pound basis) of Chelant Products.

O. “Akzo Lima Expansion Milestones” means: (i) the submission by Akzo of complete applications for any and all federal, state, and local governmental permits that may be required to complete the Akzo Lima Expansion, within twelve (12) months after the date this Order becomes final; (ii) the receipt by Akzo of all federal, state, or local governmental permits that are required to complete the Akzo Lima Expansion, within eighteen (18) months after the date this Order becomes final; provided, however that if Akzo has not received approval or final disapproval of its permit application(s) within eighteen (18) months after the date this Order becomes final, this second milestone shall be extended until Akzo receives approval or final disapproval for a period up to, but in no event longer than, twelve (12) months; (iii) the completion by Akzo of the structural steel installation required for the Akzo Lima Expansion, within twelve (12) months after permitting.

P. “Dow’s Competing Chelant Business” means all assets, properties, business and goodwill, tangible and intangible of Dow relating to the research, development, manufacture, distribution or sale of Chelant Products, its employees, agents, representatives, and any other personnel assigned to such business, or to whom such persons report directly or indirectly.

Q. “Dow’s Contract Manufacturing Services” means the Dow business unit engaged in the contract manufacture of chemical and polymer products and services for independent firms.

R. “Hampshire Chelant Business” means all assets, properties, business and goodwill, tangible and intangible, of Hampshire relating to the research, development and manufacture in the United States, and the distribution and sale in North America, of Hampshire Chelant Products, including, but not limited to:

1. all rights, title and interest in and to owned or leased real property at the Lima Facility (including completion of the current nitrile expansion project underway), together with its appurtenances, licenses and permits; but excluding real property at (i) the Other Hampshire Facilities; (ii) Hampshire’s Lexington, Massachusetts facility; and (iii) Hampshire’s Teeside, United Kingdom facility;
2. all machinery, fixtures, equipment, vehicles, transportation facilities, furniture, tools and other tangible personal property located at the Lima Facility, but excluding machinery, fixtures, equipment, transportation facilities located at (i) the Other Hampshire Facilities; (ii) Hampshire’s Lexington, Massachusetts facility; and (iii) Hampshire’s Teeside, United Kingdom facility;
3. all intangible assets associated with Hampshire Chelant Products, including, but not limited to, processes, process improvements projects, production projects, permits, supporting data and documents, patents, patent applications and other intellectual property relating to any Hampshire Chelant Product;
4. all intellectual property used by Hampshire at the Lima Facility and all intellectual property used for the research, development, manufacture or sale of Hampshire Chelant Products, including, but not limited to, trade secrets, test data, technology and know-how (including, but not limited to, manufacturing know-how and application know-how), and all patents, patent applications, patent rights, licenses, registrations, submissions and approvals;
5. all books, records and files, customer lists, customer records and files, vendor lists, catalogs, sales promotion literature, advertising materials, specifications, designs, drawings, and quality control data;
6. all right, title and interest in and to contracts and agreements entered into in the ordinary course of business with customers (together with associated bid and performance bonds), joint ventures, suppliers, sales representatives, distributors, agents, personal property lessors, personal property lessees, licensors, licensees, consignors and consignees, including, but not limited to, Hampshire’s existing contract with BP Chemicals Inc. for the supply of liquid hydrogen cyanide and the related service agreements and land lease; and all

existing Hampshire contracts for railcars used in the transport of Hampshire Chelant Products;

7. all projects in research and development by Hampshire as of the date of the Acquisition that relate to improving existing Chelant Products, or developing Chelant Products, including, but not limited to, all research materials, technical information, inventions, trade secrets, intellectual property, patents, technology, know-how (including, but not limited to, manufacturing know-how and application know-how), specifications, designs, drawings, processes, quality control data, and formulas, as well as licenses thereto, relating to all such projects in research and development;

8. all research materials and inventions and intellectual property used for research and development relating to Hampshire Chelant Products or processes, including, but not limited to, trade secrets, test data, technology and know-how, and all patents, patent applications, patent rights, licenses, registrations, submissions and approvals;

9. all rights under warranties and guarantees, express or implied;

10. all rights, titles and interests in registrations or other governmental approvals for manufacture and sale of any Hampshire Chelant Products or research and development efforts for Hampshire Chelant Products; and

11. all Hampshire (including Hampshire UK) brand names and trademarks for Hampshire Chelant Products worldwide, but excluding the Hampshire corporate name and any brand names or trademarks that include the full word "Hampshire".

In addition, the "Hampshire Chelant Business" shall include all intellectual property used by Hampshire in the research, development, and manufacture in the United States, and the distribution and sale worldwide, of PDTA.

S. "Hampshire Business Unit" means the Hampshire Chelant Business and all assets, properties, business and goodwill, tangible and intangible of Hampshire relating to the research, development and manufacture in the United States, and the distribution and sale in North America of Hampshire Products, including, but not limited to:

1. all right, title and interest in and to owned or leased real property at the Lima Facility and Other Hampshire Facilities together with its appurtenances, licenses and permits;

2. all machinery, fixtures, equipment, vehicles, transportation facilities, furniture, tools and other tangible personal property located at the Lima Facility and Other Hampshire Facilities;

3. all inventory and storage capacity;
4. all intangible assets associated with Hampshire Products, including, but not limited to, processes, process improvements projects, production projects, permits, supporting data and documents, patents, patent applications and other intellectual property relating to any Hampshire Product;
5. all intellectual property used for the research, development, manufacture or sale of Hampshire Products, including, but not limited to, trade secrets, test data, technology and know-how (including, but not limited to, manufacturing know-how and application know-how), and all patents, patent applications, patent rights, licenses, registrations, submissions and approvals;
6. all books, records and files, customer lists, customer records and files, vendor lists, catalogs, sales promotion literature, advertising materials, specifications, designs, drawings, and quality control data;
7. all right, title and interest in and to contracts and agreements entered into in the ordinary course of business with customers (together with associated bid and performance bonds), joint ventures, suppliers, sales representatives, distributors, agents, personal property lessors, personal property lessees, licensors, licensees, consignors and consignees including, but not limited to, all existing contracts with BP Chemicals Inc. for the supply of liquid hydrogen cyanide and the related service agreements and land lease; and all existing contracts for railcars used in the transport of Hampshire Products;
8. all projects in research and development as of the date of the divestiture required by this Order pursuant to Paragraph IV.B. that relate to improving existing, or developing new, Hampshire Products, including, but not limited to, all research materials, technical information, inventions, trade secrets, intellectual property, patents, technology, know-how (including, but not limited to, manufacturing know-how and application know-how), specifications, designs, drawings, processes, quality control data, and formulas, as well as licenses thereto, relating to all such projects in research and development;
9. all research materials and inventions and intellectual property used for research and development relating to Hampshire Products, including, but not limited to, trade secrets, test data, technology and know-how, and all patents, patent applications, patent rights, licenses, registrations, submissions and approvals;
10. all rights under warranties and guarantees, express or implied;
11. all items of prepaid expense;
12. all rights, titles and interests in registrations or other governmental approvals for

manufacture and sale of any Hampshire Non-Chelant Products, or research and development efforts for Hampshire Non-Chelant Products; and

13. all Hampshire (including Hampshire UK) brand names and trademarks for Hampshire Products worldwide, including the Hampshire corporate name and any brand names or trademarks that include the full word "Hampshire".

II

IT IS FURTHER ORDERED that:

A. Respondent shall divest, absolutely and in good faith, as an ongoing business, simultaneously with consummation of the Acquisition, the Hampshire Chelant Business to Akzo pursuant to the agreement between Dow and Akzo dated as of November 15, 1997. Provided, however, that Respondent may retain (i) a non-exclusive, fully-paid and global license from Akzo to intangible assets and intellectual property used by the Hampshire Chelant Business in the research, development or manufacture of Hampshire Chelant Products to make, have made, use and sell Hampshire Non-Chelant Products; and (ii) a non-exclusive, fully-paid and global license relating to the manufacture of ED3A to make, have made, use and sell ED3A for use as a precursor for surfactants; and (iii) a non-exclusive, fully-paid, and global license to intellectual property used in the manufacture of PDTA to make, have made, use and sell PDTA in any part of the world.

B. The purpose of the divestiture of the Hampshire Chelant Business is to ensure the continuation of the Hampshire Chelant Business as an ongoing, viable business engaged in the research, development, manufacture, distribution and sale of Chelant Products independent of Dow, and in competition with Dow, and to remedy the lessening of competition resulting from the Acquisition as alleged in the Commission's Complaint.

C. On reasonable notice to Respondent, Respondent shall provide technical assistance and know-how to Akzo with respect to the Hampshire Chelant Business. Such technical assistance shall include, without limitation, consultation with knowledgeable employees of Hampshire and training at the manufacturing facilities of Hampshire. Respondent may charge the reasonable costs incurred in providing such technical assistance, including reimbursement (commensurate with the salary and benefits of Hampshire personnel involved) for the time plus expenses of Hampshire personnel providing the technical assistance. Hampshire shall continue to provide such technical assistance until Akzo is satisfied that it is capable of producing, and of developing for production, commercially saleable Chelant Products utilizing the assets of the Hampshire Chelant Business; provided, however, Hampshire shall not be required to continue providing such technical assistance and training after the earlier of (i) one (1) year after the Akzo Lima Expansion is fully operational and released to production; or (ii) three (3) years after the date this Order becomes final.

III

IT IS FURTHER ORDERED that:

A. Respondent shall exclusively toll manufacture for Akzo Hampshire Chelant Products at the Other Hampshire Facilities, at no more than Hampshire's historical cost as provided for in the agreement between Dow and Akzo dated as of November 15, 1997, in order to provide Akzo with sufficient time to accomplish the Akzo Lima Expansion for such period as Akzo may request, but in no event to extend beyond the earlier of (i) the date the Akzo Lima Expansion is fully operational and released to production or (ii) four (4) years after the date this Order becomes final. Upon the Akzo Lima Expansion being released to production, Respondent shall not manufacture at the Other Hampshire Facilities any Chelant Products for a period of one (1) year.

B. Dow's Contract Manufacturing Services shall (i) oversee the production of Hampshire Chelant Products at the Other Hampshire Facilities for Akzo, and (ii) administer and control the supply and allocation of HCN from Akzo at Lima, Ohio to Respondent. Dow's Contract Manufacturing Services shall maintain any information arising from its obligations under Paragraph III.B. as confidential and not disclose such information to Dow's Competing Chelant Business. Any Dow or Hampshire employees supervised by Dow's Contract Manufacturing Services in carrying out the obligations of this Paragraph III.B. shall also maintain such information as confidential and not disclose such information to Dow's Competing Chelant Business.

C. Respondent shall use information relating to the Hampshire Chelant Business only to fulfill its obligations in Paragraphs II.C. and III.A., and shall not provide, disclose or otherwise make available to Dow's Competing Chelant Business, any information relating to Hampshire Chelant Products or the Hampshire Chelant Business, including information obtained as a result of the Acquisition, or directly or indirectly from Dow's Contract Manufacturing Services, or from Respondent's operations of the Other Hampshire Facilities, and Dow shall not use any such information in Dow's Competing Chelant Business, until Respondent has fulfilled all obligations under Paragraph III.A., above.

IV

IT IS FURTHER ORDERED that:

A. In the event that any of the Akzo Lima Expansion Milestones is not achieved, Respondent shall acquire back from Akzo, within thirty (30) days, the Hampshire Chelant Business pursuant to the agreement between Dow and Akzo dated as of November 15, 1997.

B. Upon its acquisition of the Hampshire Chelant Business pursuant to Paragraph IV.A., above, Respondent shall divest, absolutely and in good faith, within sixty (60) days after Respondent has obtained from Akzo all assets pursuant to Paragraph IV.A. the Hampshire Business Unit as a viable and competitive business. Provided, however, Respondent may seek Commission approval to divest, in lieu of the divestiture of the Hampshire Business Unit, less than all assets of the Hampshire Business Unit and/or such other assets if such divestiture meets the purpose of Paragraph IV.C., below. Respondent shall divest the Hampshire Business Unit or such other assets approved by the Commission only to an Acquirer that receives the prior approval of the Commission and only in a manner that receives the prior approval of the Commission.

C. The purpose of the divestiture of the Hampshire Business Unit is to ensure the continuation of the Hampshire Chelant Business as an ongoing, viable enterprise engaged in the research, development, manufacture, distribution and sale of Chelant Products independent of Dow, and in competition with Dow, and to remedy the lessening of competition alleged in the Commission's Complaint.

D. Respondent shall take such actions as are necessary to maintain the viability and marketability of the Hampshire Business Unit and shall not cause or permit the destruction, removal, wasting, deterioration, or impairment of the Hampshire Business Unit, except in the ordinary course of business and except for ordinary wear and tear, until the Akzo Lima Expansion Milestones are achieved, or until the divestiture required by Paragraph IV.B., above.

V

IT IS FURTHER ORDERED that:

A. In the event that any of the Akzo Lima Expansion Milestones is not achieved, and if Respondent has not divested, absolutely and in good faith and with the Commission's prior approval, the Hampshire Business Unit or such other assets approved by the Commission pursuant to Paragraph IV.B. within the time required by Paragraph IV of this Order, then the Commission may appoint a trustee to divest the Hampshire Business Unit. The trustee shall have all rights and powers necessary to permit the trustee to effect the divestiture of the Hampshire Business Unit in order to assure the viability, competitiveness, and marketability of the Hampshire Business Unit so as to expeditiously accomplish the remedial purposes of this Order. In the event the Commission or the Attorney General brings an action pursuant to Section 5(l) of the Federal Trade Commission Act, 15 U.S.C. § 45(l), or any other statute enforced by the Commission, Respondent shall consent to the appointment of a trustee in such action. Neither the appointment of a trustee nor a decision not to appoint a trustee under this Paragraph shall preclude the Commission or the Attorney General from seeking civil penalties or any other relief (including, but not limited to, a court-appointed trustee) pursuant to the Federal Trade Commission Act or any other statute, for any failure by Respondent to comply with this Order.

B. If a trustee is appointed by the Commission or a court pursuant to Paragraph V.A. of this Order, Respondent shall consent to the following terms and conditions regarding the trustee's powers, duties, authority, and responsibilities:

1. The Commission shall select the trustee, subject to the consent of Respondent, which consent shall not be unreasonably withheld. The trustee shall be a person with experience and expertise in acquisitions and divestitures. If respondent has not opposed, in writing, including the reasons for opposing, the selection of any proposed trustee within ten (10) days after notice by the staff of the Commission to Respondent of the identity of any proposed trustee, Respondent shall be deemed to have consented to the selection of the proposed trustee.

2. Subject to the prior approval of the Commission, the trustee shall have the exclusive power and authority to divest the Hampshire Business Unit in order to accomplish the divestiture required by this Order.

3. Within ten (10) days after appointment of the trustee, Respondent shall execute a trust agreement that, subject to the prior approval of the Commission (and, in the case of a court-appointed trustee, of the court), transfers to the trustee all rights and powers necessary to permit the trustee to effect the divestiture of the Hampshire Business Unit, and to divest such additional ancillary assets of Sentrachem and effect such additional arrangements, in order to assure the viability, competitiveness, and marketability of the Hampshire Business Unit so as to expeditiously accomplish the remedial purposes of this Order.

4. The trustee shall have twelve (12) months to accomplish the divestiture required by this Order, which shall be subject to the prior approval of the Commission. If, however, at the end of the twelve (12) month period, the trustee has submitted a plan of divestiture or believes that divestiture can be achieved within a reasonable time, the divestiture period may be extended by the Commission (or, in the case of a court-appointed trustee, by the court); provided, however, the Commission may extend this period for no more than two (2) additional terms.

5. The trustee shall have full and complete access to the personnel, books, records, and facilities related to the Hampshire Business Unit, or to any other relevant information as the trustee may request. Respondent shall develop such financial or other information as such trustee may request and shall cooperate with the trustee. Respondent shall take no action to interfere with or impede the trustee's accomplishment of the divestiture. Any delays in divestiture caused by the Respondent shall extend the time for divestiture under this Paragraph V in an amount equal to the delay, as determined by the Commission (or, in the case of a court-appointed trustee, by the court).

6. The trustee shall use his or her best efforts to negotiate the most favorable price

and terms available in each contract that is submitted to the Commission, subject to Respondent's absolute and unconditional obligation to divest expeditiously at no minimum price. The divestiture shall be made in the manner, and to the acquirer or acquirers, as set out in Paragraph IV of this Order; provided, however, if the trustee receives bona fide offers from more than one acquiring entity, and if the Commission approves more than one such acquiring entity, then the trustee shall divest to the acquiring entity or entities selected by Respondent from among those approved by the Commission.

7. The trustee shall serve, without bond or other security, at the cost and expense of Respondent, on such reasonable and customary terms and conditions as the Commission or a court may set. The trustee shall have authority to employ, at the cost and expense of Respondent, such consultants, accountants, attorneys, investment bankers, business brokers, appraisers, and other representatives and assistants as are necessary to carry out the trustee's duties and responsibilities. The trustee shall account for all monies derived from the divestiture and all expenses incurred. After approval by the Commission (and, in the case of a court-appointed trustee, by the court) of the account of the trustee, including fees for his or her services, all remaining monies shall be paid at the direction of Respondent and the trustee's power shall be terminated. The trustee's compensation shall be based at least in significant part on a commission arrangement (based on sales price) contingent on the trustee's accomplishing the divestiture required by this Order.

8. Respondent shall indemnify the trustee and hold the trustee harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the trustee's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defense of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from misfeasance, gross negligence, recklessness, willful or wanton acts, or bad faith by the trustee.

9. If the trustee ceases to act or fails to act diligently, a substitute trustee shall be appointed in the same manner as provided in Paragraph V.A. of this Order.

10. The Commission (or, in the case of a court-appointed trustee, the court) may on its own initiative or at the request of the trustee issue such additional orders or directions as may be necessary or appropriate to accomplish the divestiture required by this Order.

11. The trustee shall have no obligation or authority to operate or maintain the Hampshire Business Unit.

12. The trustee shall report in writing to Respondent and the Commission every thirty (30) days concerning the trustee's efforts to accomplish the divestiture.

VI

IT IS FURTHER ORDERED that within thirty (30) days after the date this Order becomes final, and every ninety (90) days thereafter until Respondent has fully complied with the provisions of Paragraphs II and III of this Order, Respondent shall submit to the Commission verified written reports setting forth in detail the manner and form in which Respondent intends to comply, is complying, and has complied with Paragraphs II and III of this Order. Provided, however, that within ten (10) days of Akzo's failure to meet any of the Akzo Lima Expansion Milestones, and every thirty (30) days thereafter until Respondent has fully complied with the provisions of Paragraphs IV and V of this Order, Respondent shall submit to the Commission verified written reports setting forth in detail the manner and form in which Respondent intends to comply, is complying, and has complied with Paragraphs IV and V. Respondent shall include in its compliance reports, among other things that are required from time to time, a full description of the efforts being made to comply with Paragraphs II, III, IV and V of the Order, including a description of all substantive contacts or negotiations for any divestiture required under Paragraph IV and the identity of all parties that have contacted Respondent or that have been contacted by Respondent. Respondent shall include in its compliance reports copies of all written communications to and from such parties, all internal memoranda, and all reports and recommendations concerning divestiture.

VII

IT IS FURTHER ORDERED that Respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate Respondent, such as dissolution, assignment, sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change in Dow that may affect compliance obligations arising out of the Order.

VIII

IT IS FURTHER ORDERED that, for the purpose of determining or securing compliance with this Order, Respondent shall permit any duly authorized representatives of the Commission:

A. Access, during office hours and in the presence of counsel, to inspect and copy all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of Respondent relating to any matters contained in this Order; and

B. Upon five (5) days' notice to Respondent, and without restraint or interference, the right to interview officers, employees, or agents of Respondent.

IX

IT IS FURTHER ORDERED that this Order shall terminate ten (10) years from the date this Order becomes final.

Signed this ____ day of November, 1997.

FEDERAL TRADE COMMISSION

THE DOW CHEMICAL COMPANY

By:

By:

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Attorney
Bureau of Competition

Brian G. Taylorson
Director of Mergers and Acquisitions

By:

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UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of

THE DOW CHEMICAL COMPANY,
a corporation.

Docket No.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Clayton Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that the Dow Chemical Company's proposed acquisition of the South African company, Sentrachem Limited (Sentrachem"), including its U.S. subsidiary, Hampshire Chemical Corporation ("Hampshire"), would violate Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, 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. THE RESPONDENT

The Dow Chemical Company

1. Respondent Dow is a corporation organized, existing and doing business under and by virtue of the laws of Delaware, with its office and principal place of business located at 2030 Dow Center, Midland, Michigan. In 1996 Dow had worldwide sales of approximately \$20 billion.
2. Dow produces chemicals, plastics, and agricultural and consumer products. Through its Chemical Division, it is the leading producer in the U.S. of aminopolycarboxylic chelating agents, also known as chelants.
3. At all times relevant herein, Dow has been, and is now, a corporation as "corporation" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44; and at all times relevant herein, Dow has been, and is now, engaged in commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44, and Section 1 of the Clayton Act, 15 U.S.C. § 12.

II. THE ACQUIRED COMPANY

4.. Sentrachem, a South African company, develops, manufactures, and markets a number of different commodity and specialty chemical products. In 1996 Sentrachem had worldwide sales of approximately \$1 billion. Sentrachem competes in the U.S. chelant market through its U.S. subsidiary, Hampshire, a Delaware corporation, with its principal place of business in Lexington, Massachusetts. In 1996, Hampshire's sales were approximately \$200 million.

III. THE ACQUISITION

5. On or about August 5, 1997, Dow announced a cash tender offer to acquire all of the shares of Sentrachem for approximately \$425 million.

IV. THE RELEVANT MARKET

6. One relevant line of commerce in which to analyze the proposed acquisition is the research, development, manufacture, and sale of chelants, which are chemicals used to inactivate iron, calcium, copper, magnesium and other metal ions in water solutions. Chelants are used in cleaners, pulp and paper, water treatment, photography, agriculture, and food and pharmaceutical applications. Chelant customers use chelants because they are high quality metal ion control chemicals that are cost effective across a wide variety of applications. Chelants are an extremely small part of the customer's overall product or processing costs. Because of the time and cost associated with researching and qualifying an alternative to chelants, customers do not reformulate away from chelants. There are no economic substitutes for chelants to which customers would switch in response to a price increase in chelants.

7. The United States is one relevant geographic area within which to analyze the likely effect of the proposed acquisition on competition in the chelant market. Chelants produced overseas are not economic substitutes for most chelants sold in the United States, particularly those diluted in water, because shipping costs are high and there are too many uncertainties and delays inherent in long distance shipping. Imports of chelants are less than 4 percent of U.S. consumption.

V. CONCENTRATION

8. Based on 1996 dollar sales, Dow and Hampshire are the two leading of only three producers of chelants in the United States, with a combined market share of over 70 percent. The U.S. chelant market is highly concentrated as measured by the Herfindahl-Hirschman Index ("HHI"). The proposed acquisition would increase the HHI by more than 2,800 points to more than 6,100 points.

VI. ENTRY CONDITIONS

9. Entry into the chelant market would not be timely, likely, or sufficient to deter or offset the adverse effects of the proposed acquisition on competition. A new entrant would have to build both a chelant production plant and a plant to produce hydrogen cyanide ("HCN"), a key input in the production of chelants, which would take over two years and entail large fixed, and mostly sunk, costs. In addition to the time to construct these facilities, a new firm must secure the environmental permits to produce HCN, a toxic substance. In order to recoup its investment, a new entrant would need to obtain a market share at least as large as that held by any of the current domestic producers, which would be difficult because of the significant amount of chelant sales that are subject to long term supply agreements. All these factors make entry into the U.S. chelant market unlikely.

VII. EFFECT OF THE PROPOSED MERGER ON COMPETITION

10. The proposed acquisition would substantially lessen competition or tend to create a monopoly in the U.S. chelant market, because, among other things:

- a. it increases concentration substantially in a highly concentrated market;
- b. it eliminates actual, direct, and substantial, competition between Dow and Hampshire;
- c. it facilitates the unilateral exercise of market power by the merged firm; and
- d. it will likely result in increased prices for chelants.

VIII. VIOLATIONS CHARGED

11. The proposed acquisition by Dow of all the shares of Sentrachem, described in paragraph 5, would violate Section 5 of the Federal Trade Commission 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 _____ day of _____, 1998, issues its complaint against said respondent.

By the Commission.

Seal

Donald S. Clark
Secretary

Issued:

ANALYSIS OF PROPOSED CONSENT ORDER TO AID PUBLIC COMMENT

The Federal Trade Commission ("Commission") has accepted, subject to final approval, an Agreement Containing Consent Order ("Agreement") from The Dow Chemical Company.

The proposed Order has been placed on the public record for sixty (60) days for reception of comments by interested persons. Comments received during this period will become part of the public record. After sixty (60) days, the Commission will again review the Agreement and the comments received and will decide whether it should withdraw from the Agreement or make final the Agreement's proposed Order.

The Dow Chemical Company, a Midland, Michigan based company and producer of chemicals, plastics, and agricultural and consumer products, announced on August 5, 1997, a cash tender offer to acquire all of the share of Sentrachem Limited, a South African chemical company that operates in the U.S. through its wholly-owned subsidiary, Hampshire Chemical Company. Hampshire and Dow, through its Chemical Division, produce aminopolycarboxylic chelating agents, also known as chelants. Hampshire produces chelants in Nashua, New Hampshire and Deer Park, Texas, and chelant intermediates in Lima, Ohio. Dow produces chelants in Freeport, Texas.

The proposed administrative complaint alleges that the proposed acquisition may substantially lessen competition in the research, development, manufacture, and sale of chelants, which are chemicals used in cleaners, pulp and paper, water treatment, photography, agriculture, and food and pharmaceutical applications to neutralize and inactivate metal ions. The proposed complaint alleges that the United States is the relevant geographic market for evaluating the acquisition's effect on chelants because the shipping costs of chelants, which are sold mostly in a liquid solution, are high and there are too many uncertainties and delays inherent in long distance

shipping.

The proposed complaint alleges that Hampshire and Dow are the two leading of only three producers of chelants in the United States, with a combined market share of over 70 percent. With only one other competitor, the acquisition would likely lead to a unilateral price increase, 1992 Horizontal Merger Guidelines § 2.22.

Entry into the chelant market would not be timely, likely, or sufficient to deter or offset the adverse effects of the acquisition on competition because a new entrant would have to build both a chelant production plant and a plant to produce hydrogen cyanide ("HCN"), a key input in the production of chelants, which would take over two years and entail large fixed, and mostly sunk, costs. In order to recoup its investment, a new entrant would need to obtain a market share at least as large as that held by any of the current domestic producers, which would be difficult because of the significant amount of chelant sales that are subject to long term supply agreements.

The proposed Order would remedy the alleged violation by preserving the competition that would otherwise be lost as a result of Dow's acquisition. The proposed Order requires Dow, simultaneously with its acquisition of Sentrachem, to divest Hampshire's Chelant Business to Akzo Nobel N.V., a Dutch chemical company that is a leading European producer of chelants with strong chelant technology. Dow must divest, among other things, all rights of Hampshire relating to the research, development and manufacture of chelants in the United States and the distribution and sale of chelants in North America, including Hampshire's Lima, Ohio facility and its contract for the supply of HCN at Lima. Once it acquires the Hampshire Chelant Business, Akzo will build additional chelant capacity at the Lima, Ohio facility, which will curtail the need for inefficient, hazardous HCN shipments from the site.

The proposed Order sets certain Milestones that must be met to accomplish the construction of the additional chelant capacity at Lima. The Milestones include the submission of complete

permits for the additional capacity within one year after the Order becomes final, and the installation of the structural steel within one year after the additional capacity is permitted. In the event any of the Milestones has not been achieved, Dow must reacquire the Hampshire Chelant Business from Akzo. The proposed Order further requires that upon its reacquisition of the business, Dow or a trustee will divest the Hampshire Business Unit, which, in addition to the Hampshire Chelant Business, includes other Hampshire businesses and Hampshire facilities at Nashua, New Hampshire and Deer Park, Texas. The proposed Order requires Dow to maintain the viability and marketability of the Hampshire Business Unit in the interim. This crown jewel provision provides an incentive for realizing the additional chelant capacity at the Lima, Ohio facility in a timely manner. The crown jewel also ensures that the Order will result in effective relief by requiring a divestiture of all of Hampshire in the event that any Milestone is not achieved.

The proposed Order requires Dow to toll manufacture chelants for Akzo from Hampshire's Nashua and Deer Park facilities while Akzo builds additional chelant capacity at Lima.

The proposed Order also contains a firewall provision that requires Dow to maintain the confidentiality of the Hampshire Chelant Business from Dow's Competing Chelant Business.

The purpose of this analysis is to facilitate public comment on the proposed Order. This analysis is not intended to constitute an official interpretation of the Agreement or the proposed Order or in any way to modify the terms of the Agreement or the proposed Order.