

EASTMAN CHEMICAL CO  
Form S-4/A  
April 20, 2012  
Table of Contents

As filed with the Securities and Exchange Commission on April 20, 2012

Registration No. 333-179975

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 1**  
**TO**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**EASTMAN CHEMICAL COMPANY**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**2821**  
(Primary Standard Industrial  
Classification Code Number)

**62-1539359**  
(I.R.S. Employer  
Identification Number)

**200 South Wilcox Drive**  
**Kingsport, Tennessee 37662**  
**(423) 229-2000**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Theresa K. Lee, Esq.**  
**Senior Vice President, Chief Legal and Administrative Officer**

**Eastman Chemical Company**  
**P.O. Box 431**  
**Kingsport, Tennessee 37662**  
**(423) 229-2000**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

*Copies to:*

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Governmental Affairs  
and General Counsel**  
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**575 Maryville Centre Drive**  
**St. Louis, Missouri 63141**

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**New York, New York 10022**  
**(212) 446-4800**

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(404) 521-3939

(314) 674-1000

**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable on or after the effective date of this registration statement after all other conditions to the completion of the exchange offer described herein have been satisfied or waived.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**CALCULATION OF REGISTRATION FEE**

Title Of Each Class Of Securities To Be Registered	Amount to be registered (1)(2)	Proposed maximum offering price per unit	Proposed maximum aggregate offering price (3)	Amount of registration fee (4)
Common stock, par value \$0.01 per share	15,770,889	N/A	\$752,402,852.28	\$ 86,225.37 (5)

- (1) Pursuant to Rule 416 under the Securities Act of 1933 (the Securities Act), this registration statement also covers an indeterminate number of additional shares of common stock, par value \$0.01 per share ( Eastman common stock ), of Eastman Chemical Company ( Eastman ) as may be issuable as a result of stock splits, stock dividends or similar transactions.
- (2) Represents the maximum number of shares of Eastman common stock issuable to holders of common stock, par value \$0.01 per share ( Solutia common stock ), of Solutia Inc. ( Solutia ), and certain warrants to acquire shares of Solutia common stock, in the merger of Eagle Merger Sub Corporation, a wholly owned subsidiary of Eastman, with and into Solutia, with Solutia surviving as an indirect wholly owned subsidiary of Eastman (the merger).
- (3) Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(c), 457(f)(1) and 457(f)(3) under the Securities Act. The proposed maximum aggregate offering price was calculated based upon the market value of shares of Solutia common stock (the securities to be cancelled in the merger) in accordance with Rule 457(c) under the Securities Act by multiplying (1) \$27.725, the average of the high and low prices per share of Solutia common stock on the New York Stock Exchange on March 6, 2012, by (2) 131,424,079, which is the maximum number of shares of Solutia common stock (including: (a) 4,225,862 shares of Solutia common stock issuable under options, restricted stock awards, restricted stock unit awards, performance share awards and performance share unit awards granted and available for grant under Solutia's equity incentive plans; and (b) 4,481,250 shares of Solutia common stock underlying currently exercisable warrants to acquire Solutia common stock, each of which will be assumed by Eastman in the merger and converted

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into warrants to acquire (1) \$22.00 in cash, without interest, and (2) 0.12 shares of Eastman common stock) that may be cancelled in the merger. Pursuant to Rule 457(f)(3) under the Securities Act, the amount of cash that may be payable by Eastman in the merger has been deducted from the proposed maximum aggregate offering price (computed by multiplying (a) the cash consideration of \$22.00 per share of Solutia common stock by (b) the maximum number of shares of Solutia common stock that may be cancelled in the merger).

- (4) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to \$114.60 per \$1,000,000 of the proposed maximum aggregate offering price.
- (5) Previously paid.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.**

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**Table of Contents**

**The information in this proxy statement/prospectus is not complete and may be changed. Eastman Chemical Company may not issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and Eastman Chemical Company is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED APRIL 20, 2012**

**PROXY STATEMENT/PROSPECTUS**

**PROPOSED MERGER YOUR VOTE IS IMPORTANT**

Dear fellow stockholders of Solutia Inc.:

The boards of directors of Solutia Inc., or Solutia, and Eastman Chemical Company, or Eastman, have each approved an agreement and plan of merger, entered into on January 26, 2012 and referred to as the merger agreement, providing for Solutia to be acquired by Eastman, which transaction is referred to as the merger. You are cordially invited to attend a special meeting of Solutia stockholders to be held at 10:00 a.m., local time, on \_\_\_\_\_, 2012, at \_\_\_\_\_.

At the Solutia special meeting, you will be asked to consider and vote upon a proposal to adopt the merger agreement, pursuant to which Solutia would be acquired through a merger with a wholly owned subsidiary of Eastman. If the merger contemplated by the merger agreement is completed, each outstanding share of common stock of Solutia outstanding immediately prior to the effective time of the merger, other than shares held by any stockholder who is entitled to exercise and properly exercises appraisal rights with respect to such shares pursuant to the General Corporation Law of the State of Delaware, will be converted into the right to receive (1) \$22.00 in cash, without interest, and (2) 0.12 shares of common stock of Eastman. This is referred to as the merger consideration. Eastman expects that it may issue up to 15,770,889 shares of Eastman common stock in the merger. The implied value of the stock portion of the merger consideration will fluctuate as the market price of Eastman common stock fluctuates. You should obtain current stock price quotations for Eastman common stock and Solutia common stock before deciding how to vote with respect to the adoption of the merger agreement. Eastman common stock and Solutia common stock are listed for trading on the New York Stock Exchange under the symbols EMN and SOA, respectively.

At the Solutia special meeting, you also will be asked to consider and vote upon a proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to Solutia's named executive officers that is based on or otherwise relates to the merger and a proposal to adjourn the Solutia special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the Solutia special meeting.

After careful consideration, the Solutia board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement and declared that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable, fair to and in the best interests of Solutia and its stockholders. **The Solutia board of directors unanimously recommends that you vote FOR the adoption of the merger agreement; FOR the approval, on a non-binding, advisory basis, of the compensation that may be paid or become payable to Solutia's named executive officers that is based on or otherwise relates to the merger; and FOR the approval of the adjournment of the Solutia special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the Solutia special meeting.**

The accompanying document is a proxy statement of Solutia and a prospectus of Eastman, and provides you with information about Solutia, Eastman, the proposed merger and the special meeting of Solutia stockholders. Solutia encourages you to read the entire proxy statement/prospectus carefully.

You may also obtain more information about Solutia and Eastman from documents Solutia and Eastman have filed with the Securities and Exchange Commission.

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For a discussion of risk factors you should consider in evaluating the merger agreement you are being asked to adopt, see **Risk Factors** beginning on page 24 of the accompanying proxy statement/prospectus.

**Your vote is important. Adoption of the merger agreement requires the approval of the holders of a majority of the outstanding shares of Solutia common stock. The failure of any stockholder to vote will have the same effect as a vote against adopting the merger agreement. Accordingly, whether or not you plan to attend the Solutia special meeting, you are requested to promptly vote your shares by proxy electronically via the Internet, by telephone or by sending in the appropriate paper proxy card as instructed in these materials. If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote **FOR** each of the proposals described in the accompanying proxy statement/prospectus.**

Granting a proxy will not prevent you from voting your shares in person if you choose to attend the Solutia special meeting.

We thank you for your continued support of Solutia.

Sincerely,

JEFFRY N. QUINN

*Chairman of the Board, President and Chief Executive Officer*

*Solutia Inc.*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger described in the accompanying proxy statement/prospectus nor have they approved or disapproved of the issuance of the Eastman common stock in connection with the merger, or determined if the accompanying proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

The accompanying proxy statement/prospectus is dated \_\_\_\_\_, 2012 and is first being mailed to Solutia stockholders on or about \_\_\_\_\_, 2012.

**Table of Contents**

**SOLUTIA INC.**

**575 Maryville Centre Drive**

**St. Louis, Missouri 63141**

**(314) 674-1000**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON \_\_\_\_\_, 2012**

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Solutia Inc., or Solutia, will be held at 10:00 a.m., local time, on \_\_\_\_\_, 2012, at \_\_\_\_\_. Holders of Solutia common stock at the close of business on May 4, 2012 (such date and time, the record date) will be asked to:

- Proposal1. consider and vote upon the adoption of the Agreement and Plan of Merger, dated January 26, 2012, as it may be amended from time to time, by and among Solutia, Eastman Chemical Company, or Eastman, and Eagle Merger Sub Corporation (the merger agreement);
- Proposal2. consider and vote, on a non-binding, advisory basis, to approve compensation that may be paid or become payable to Solutia's named executive officers that is based on or otherwise relates to the merger contemplated by the merger agreement; and
- Proposal3. consider and vote upon the approval of the adjournment of the Solutia special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the Solutia special meeting.

Please refer to the attached proxy statement/prospectus and the merger agreement for further information with respect to the business to be transacted at the Solutia special meeting. Solutia expects to transact no other business at the meeting, except for business properly brought before the meeting and any adjournment or postponement thereof. Holders of record of Solutia common stock as of the record date will be entitled to notice of and to vote at the Solutia special meeting with regard to Proposals 1-3 described above.

**The Solutia board of directors unanimously recommends that you vote FOR the adoption of the merger agreement; FOR the approval, on a non-binding, advisory basis, of the compensation that may be paid or become payable to Solutia's named executive officers that is based on or otherwise relates to the merger; and FOR the approval of the adjournment of the Solutia special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the Solutia special meeting.**

**Your vote is important regardless of the number of shares that you own.** Whether or not you plan on attending the Solutia special meeting, we urge you to read the proxy statement/prospectus carefully and to please vote your shares as promptly as possible. You may vote your shares by proxy electronically via the Internet, by telephone, by completing and sending in the appropriate paper proxy card or in person at the Solutia special meeting.

All Solutia stockholders as of the record date are cordially invited to attend the Solutia special meeting.

By Order of the Board of Directors

Miriam Rogers Singer  
*Vice President and Corporate Secretary*

St. Louis, Missouri

, 2012



**Table of Contents**

**REFERENCES TO ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates by reference important business and financial information about each of Eastman and Solutia from documents that each company has filed or will file with the Securities and Exchange Commission, or the SEC, but that are not being included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You may read and copy the documents incorporated by reference in this proxy statement/prospectus, other than certain exhibits to those documents, and other information about each of Eastman and Solutia that is filed with the SEC under the Securities and Exchange Act of 1934, or the Exchange Act, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You can also obtain such documents free of charge through the SEC's website, www.sec.gov, or by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

**For information about Eastman Chemical Company:**

By Mail: Eastman Chemical Company  
P.O. Box 431  
Kingsport, Tennessee 37662  
Attention: Investor Relations

By Telephone: (423) 229-4647

**If you would like to request any documents, please do so by**

**For information about Solutia Inc.:**

By Mail: Solutia Inc.  
575 Maryville Centre Drive  
St. Louis, Missouri 63141  
Attention: Investor  
Relations

By Telephone: (314) 674-1000

**, 2012 in order to receive them before the Solutia special meeting.**

For additional information on documents incorporated by reference in this proxy statement/prospectus, please see *Where You Can Find More Information* beginning on page 167. Please note that information contained on the websites of Eastman or Solutia is not incorporated by reference in, nor considered to be part of, this proxy statement/prospectus.

**Table of Contents**

**ABOUT THIS PROXY STATEMENT/PROSPECTUS**

Eastman has supplied all information contained in or incorporated by reference into this proxy statement/prospectus relating to Eastman. Solutia has supplied all information contained in or incorporated by reference into this proxy statement/prospectus relating to Solutia. Eastman and Solutia have both contributed to information relating to the merger.

You should rely only on the information contained in or incorporated by reference into this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in or incorporated by reference into this proxy statement/prospectus. This proxy statement/prospectus is dated \_\_\_\_\_, 2012. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than the date hereof. You should not assume that the information contained in any document incorporated or deemed to be incorporated by reference herein is accurate as of any date other than the date of such document. Any statement contained in a document incorporated or deemed to be incorporated by reference into this proxy statement/prospectus will be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference into this proxy statement/prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this proxy statement/prospectus. Neither the mailing of this proxy statement/prospectus to the stockholders of Solutia nor the taking of any actions contemplated hereby by Eastman or Solutia at any time will create any implication to the contrary.

**This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.**

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<u>Defined Terms</u>	1
<u>Questions and Answers</u>	2
<u>Summary</u>	9
<u>Summary Historical and Pro Forma Financial Data</u>	19
<u>Summary Historical Consolidated Financial Data of Eastman</u>	19
<u>Summary Historical Consolidated Financial Data of Solutia</u>	20
<u>Unaudited Summary Pro Forma Condensed Combined Financial Information</u>	21
<u>Comparative Per Share Data</u>	22
<u>Comparative Market Value of Common Stock</u>	23
<u>Risk Factors</u>	24
<u>Risks Relating to the Merger</u>	24
<u>Risks Relating to the Business and Operations of Eastman After the Merger</u>	28
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	30
<u>Information About Eastman</u>	31
<u>Information About Solutia</u>	32
<u>Selected Historical Consolidated Financial Data of Eastman</u>	33
<u>Selected Historical Consolidated Financial Data of Solutia</u>	34
<u>Unaudited Pro Forma Condensed Combined Financial Information</u>	36
<u>Comparative Per Share Data</u>	55
<u>Comparative Market Value of Common Stock</u>	56
<u>Solutia Special Meeting</u>	57
<u>Proxy Statement/Prospectus</u>	57
<u>Date, Time and Place of the Solutia Special Meeting</u>	57
<u>Purpose of the Solutia Special Meeting</u>	57
<u>Record Date and Voting</u>	57
<u>Vote Required</u>	57
<u>Recommendation of the Solutia Board of Directors</u>	58
<u>Voting Electronically or by Telephone</u>	59
<u>Vote of Solutia's Directors and Executive Officers</u>	59
<u>Revocability of Proxies</u>	59
<u>Inspector of Election</u>	59
<u>Attending the Solutia Special Meeting</u>	60
<u>Voting Procedures</u>	60
<u>Proxy Solicitations</u>	60
<u>Householding</u>	61
<u>Results of the Solutia Special Meeting</u>	61
<u>Beneficial Stock Ownership of Solutia's Directors, Executive Officers and Persons Owning More Than 5% of the Outstanding Shares of Solutia Common Stock</u>	61
<u>Proposals Submitted to Solutia Stockholders</u>	63
<u>Adoption of the Agreement and Plan of Merger</u>	63
<u>Non-Binding Advisory Vote on Golden Parachute Compensation</u>	63
<u>Adjournment Proposal</u>	64
<u>The Merger</u>	65
<u>Effect of the Merger</u>	65
<u>Financing for the Merger</u>	66
<u>Background of the Merger</u>	68
<u>Recommendation of the Solutia Board of Directors and Solutia's Reasons for the Merger</u>	83
<u>Opinions of Financial Advisors</u>	89
<u>Presentations by Solutia's Consultants</u>	108
<u>Certain Unaudited Eastman Forecasts and Other Information</u>	109
<u>Certain Unaudited Solutia Forecasts</u>	111
<u>Interests of Certain Persons in the Merger</u>	113

**Table of Contents**

	<b>Page</b>
<u>Equity Awards Held by Executive Officers and Directors</u>	113
<u>Payments to Solutia Executive Officers Contingent Upon the Merger</u>	116
<u>Golden Parachute Compensation</u>	118
<u>Board of Directors and Management of Eastman After the Merger</u>	120
<u>Solutia Director and Officer Indemnification and Continuation of Insurance</u>	120
<u>Regulatory Approvals</u>	120
<u>New York Stock Exchange Listing of Eastman Common Stock; Deregistration of Solutia Common Stock After the Merger</u>	121
<u>Exchange of Shares of Solutia Common Stock</u>	121
<u>Distributions with Respect to Unexchanged Shares of Solutia Common Stock</u>	122
<u>Fractional Shares</u>	122
<u>Lost, Stolen and Destroyed Certificates</u>	122
<u>Appraisal Rights</u>	122
<u>Litigation Related to the Merger</u>	126
<u>Accounting Treatment Of The Merger</u>	127
<u>Material U.S. Federal Income Tax Consequences</u>	127
<u>The Merger Agreement</u>	133
<u>The Merger</u>	133
<u>Effective Time: Closing</u>	133
<u>Merger Consideration</u>	134
<u>Withholding</u>	136
<u>Dividends and Distributions</u>	136
<u>Conditions to the Completion of the Merger</u>	136
<u>Reasonable Best Efforts to Obtain Solutia Stockholder Approval</u>	138
<u>Non-Solicitation of Alternative Proposals</u>	138
<u>Financing Covenant: Solutia Cooperation</u>	141
<u>Regulatory Matters: Third-Party Consents</u>	142
<u>Termination</u>	142
<u>Solutia Termination Fee</u>	143
<u>Expenses</u>	144
<u>Conduct of Business Pending the Merger</u>	144
<u>Additional Covenants</u>	146
<u>Governance of Surviving Corporation</u>	146
<u>Indemnification: Directors and Officers Insurance</u>	146
<u>Employee Matters</u>	146
<u>Representations and Warranties</u>	147
<u>Amendment and Waiver</u>	149
<u>Governing Law and Venue; Waiver of Jury Trial</u>	149
<u>Specific Performance</u>	149
<u>Description of Eastman Capital Stock</u>	150
<u>Authorized Capital Stock</u>	150
<u>Certain Provisions Affecting Control of Eastman</u>	150
<u>Transfer Agent and Registrar</u>	153
<u>Comparison of Rights of Holders of Eastman Common Stock and Solutia Common Stock</u>	154
<u>Legal Matters</u>	165
<u>Experts</u>	165
<u>Eastman</u>	165
<u>Solutia</u>	165
<u>Submissions of Solutia Stockholder Proposals</u>	166
<u>Where You Can Find More Information</u>	167
<u>Eastman</u>	167
<u>Solutia</u>	168

**Table of Contents**

	<b>Page</b>
<u>Annex A The Merger Agreement</u>	A-1
<u>Annex B Opinion of Deutsche Bank Securities Inc., Financial Advisor to Solutia</u>	B-1
<u>Annex C Opinion of Moelis &amp; Company LLC, Financial Advisor to Solutia</u>	C-1
<u>Annex D Opinion of Perella Weinberg Partners LP, Financial Advisor to the Solutia Board</u>	D-1
<u>Annex E Section 262 of the Delaware General Corporation Law</u>	E-1

**Table of Contents**

**DEFINED TERMS**

This proxy statement/prospectus generally avoids the use of technical defined terms, but a few frequently used terms may be helpful for you to have in mind at the outset. Unless otherwise specified or if the context so requires, this proxy statement/prospectus refers to:

the transaction pursuant to which Eastman's wholly owned subsidiary, Merger Sub, will merge with and into Solutia, and Solutia will become an indirect wholly owned subsidiary of Eastman, and the conversion of shares of, and adjustment of warrants to acquire, Solutia common stock into rights to receive cash and shares of Eastman common stock, as the merger ;

the Agreement and Plan of Merger, dated January 26, 2012 (as it may be amended from time to time), by and among Solutia, Eastman and Merger Sub, pursuant to which the merger will be completed, as the merger agreement ;

the (1) \$22.00 in cash, without interest, and (2) 0.12 shares of Eastman common stock to be paid by Eastman in exchange for each share of Solutia common stock pursuant to the terms of the merger agreement, as the merger consideration ;

Eastman Chemical Company, a Delaware corporation, as Eastman ;

the board of directors of Eastman as the Eastman board of directors ;

the amended and restated bylaws of Eastman as the Eastman Bylaws ;

the amended and restated certificate of incorporation of Eastman as the Eastman Charter ;

the common stock, par value \$0.01 per share, of Eastman as Eastman common stock ;

Eagle Merger Sub Corporation, a Delaware corporation and a wholly owned subsidiary of Eastman, as Merger Sub ;

Solutia Inc., a Delaware corporation, as Solutia ;

the board of directors of Solutia as the Solutia board of directors ;

the second amended and restated bylaws of Solutia as the Solutia Bylaws ;

the second amended and restated certificate of incorporation of Solutia as the Solutia Charter ;

the common stock, par value \$0.01 per share, of Solutia as Solutia common stock ;

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the Solutia Inc. Management Long-Term Incentive Plan, as amended, and the Solutia Non-Employee Director Stock Compensation Plan, together, as the Solutia Equity Plans ; and

the General Corporation Law of the State of Delaware, as the DGCL.

**Table of Contents**

**QUESTIONS AND ANSWERS**

The questions and answers below highlight only selected information from this proxy statement/prospectus. They do not contain all of the information that may be important to you. The Solutia board of directors is soliciting proxies from its stockholders to vote at a special meeting of Solutia stockholders, to be held at 10:00 a.m., local time, on \_\_\_\_\_, 2012, at \_\_\_\_\_, and any adjournment or postponement of that meeting. You should read carefully this entire proxy statement/prospectus and the additional documents incorporated by reference into this proxy statement/prospectus to fully understand the matters to be acted upon and the voting procedures for the Solutia special meeting.

**Q: Why have I received this proxy statement/prospectus?**

A: The boards of directors of Solutia and Eastman have each approved a merger agreement, entered into on January 26, 2012, providing for Solutia to be acquired by Eastman. A copy of the merger agreement is attached to this proxy statement/prospectus as *Annex A*, which we encourage you to review.

In order to complete the merger Solutia stockholders must vote to adopt the merger agreement.

This document is being delivered to you as both a proxy statement of Solutia and a prospectus of Eastman. It is a proxy statement because the Solutia board of directors is soliciting proxies from its stockholders to vote on the adoption of the merger agreement at a special meeting of Solutia stockholders as well as the other matters set forth in the notice of the meeting and described in this proxy statement/prospectus, and your proxy will be used at the meeting or at any adjournment or postponement of the meeting. It is a prospectus because Eastman will issue Eastman common stock to Solutia stockholders in the merger. On or about \_\_\_\_\_, 2012, Solutia intends to begin to deliver to its stockholders of record as of the close of business on May 4, 2012 printed versions of these materials.

Your vote is important. The Solutia board of directors encourages you to vote as soon as possible.

**Q: What is the merger transaction upon which I am being asked to vote?**

A: Holders of Solutia common stock as of the record date are being asked to vote to adopt the merger agreement, pursuant to which Merger Sub will merge with and into Solutia, with Solutia surviving as a wholly owned subsidiary of Eastman.

**IF SOLUTIA STOCKHOLDERS FAIL TO ADOPT THE MERGER AGREEMENT, THE MERGER CANNOT BE COMPLETED.**

**Q: What will I receive for my shares of Solutia common stock in the merger?**

A: Subject to certain limitations set forth in the merger agreement, Solutia stockholders will receive the following in exchange for each share of Solutia common stock in the merger:

\$22.00 in cash, without interest, and

0.12 shares of Eastman common stock.

The implied value of the stock portion of the merger consideration will fluctuate as the market price of Eastman common stock fluctuates. You should obtain current stock price quotations for Eastman common stock and Solutia common stock before deciding how to vote with respect to the adoption of the merger agreement. Eastman common stock and Solutia common stock are listed for trading on the New York Stock Exchange under the symbols EMN and SOA, respectively.



**Q: Why is Solutia proposing the merger?**

A: After careful consideration, the Solutia board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement and declared that the merger

## **Table of Contents**

agreement, the merger and the other transactions contemplated by the merger agreement are advisable, fair to and in the best interests of Solutia and its stockholders. In the course of reaching its decision to approve the merger agreement, the Solutia board of directors considered a number of factors in its deliberations, including the following factors, the order of which does not necessarily reflect their relative significance:

the implied value of the merger consideration of \$27.65 per share of Solutia common stock as of the close of trading on January 26, 2012 represented an attractive valuation for Solutia. This implied value represented a premium of approximately 42% to the closing price per share of Solutia common stock of \$19.51 on January 26, 2012, the last trading day prior to the approval of the merger by the Solutia board of directors, and premiums of approximately 52.8% and 70.7%, respectively, to the one-month and six-month trailing average closing prices of Solutia common stock as of the close of trading on January 26, 2012;

that most of the merger consideration will be paid in cash, giving holders of Solutia common stock an opportunity to realize certain value for a significant portion of their investment immediately upon completion of the merger;

that a portion of the merger consideration will be paid in shares of Eastman common stock and, as a result, holders of Solutia common stock will have the opportunity to participate in any future earnings or growth of the combined company and future appreciation in the value of Eastman common stock following the merger should they decide to retain the Eastman common stock payable in the merger; and

as a result of the market and execution risks associated with Solutia's long-range plan, the merger consideration will enable Solutia stockholders to realize a substantial portion of Solutia's potential future value without the market or execution risks associated with continued operation as a stand-alone company.

For additional detail on these and other factors, please see "The Merger Recommendation of the Solutia Board of Directors and Solutia's Reasons for the Merger" beginning on page 83.

### **Q: Why is Eastman entering into the merger?**

A: After careful consideration, the Eastman board of directors determined that the merger agreement is advisable and in the best interests of Eastman and its stockholders and approved the merger agreement. In making this determination, the Eastman board of directors consulted with Eastman's management and with its financial and legal advisors and considered a number of factors. The decision of the Eastman board of directors was based upon a number of potential benefits of the merger and other factors that the Eastman board of directors believed would contribute to the success of Eastman after the merger, including the following factors, the order of which does not necessarily reflect their relative significance:

the potential to grow Eastman's core businesses by acquiring access to complementary and adjacent key end markets, including, among others, the automotive and architectural industries, as well as Solutia's technological and business capabilities;

the potential for Eastman to further increase its growth and investment in the Asia Pacific region, leveraging the trend of the growing middle class in that region with a preference for buying premium products;

the potential to increase the focus of Eastman's business on sustainability by acquiring Solutia's portfolio of sustainable products that promote energy efficiency and safety; and

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the potential to increase Eastman's stockholder value through enhanced revenue opportunities and cost saving opportunities. The foregoing discussion summarizes material information and factors considered by the Eastman board of directors in its consideration of the merger but is not intended to be exhaustive and may not include all of

## **Table of Contents**

the factors considered by the Eastman board of directors. The Eastman board of directors reached the decision to approve the merger agreement in light of these and other factors that the Eastman board of directors felt were appropriate. In view of the variety of factors and the quality and amount of information considered, the Eastman board of directors as a whole did not find it practicable to and did not quantify or otherwise assign relative weights to the specific factors considered in reaching its determination but conducted an overall analysis of the transaction. Individual members of the Eastman board of directors may have given different relative considerations to different factors.

After considering all of the relevant factors, as well as the form and amount of consideration to be paid, the Eastman board of directors concluded that, on balance, the potential benefits of the merger to Eastman and its stockholders outweighed the associated risks.

This discussion of the reasons why the Eastman board of directors approved the merger agreement and certain information presented in this section is forward-looking in nature and, therefore, the information should be read in light of the factors discussed in the section entitled [Cautionary Statement Regarding Forward-Looking Statements](#) beginning on page 30.

### **Q: When is the merger expected to be completed?**

A: Eastman and Solutia expect the merger to be completed by mid-2012. However, Eastman and Solutia cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

As more fully described in this proxy statement/prospectus and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others, the adoption of the merger agreement by Solutia stockholders, the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, and clearance of the merger under the antitrust or competition laws of the European Union, China, South Korea, and the Ukraine, the absence of any law or regulation that prohibits the completion of the merger and the approval of the shares of Eastman common stock to be issued in the merger for listing on the New York Stock Exchange. Each party's obligation to complete the merger is also subject to the material accuracy of the representations and warranties of the other party in the merger agreement and the compliance in all material respects with covenants of the other party in the merger agreement and the absence of a material adverse effect (as defined in the merger agreement) on the other party. The merger agreement does not include a financing condition.

### **Q: Are there risks associated with the merger that I should consider in deciding how to vote?**

A: Yes. There are a number of risks related to the merger and the other transactions contemplated by the merger agreement that are discussed in this proxy statement/prospectus and in the documents incorporated by reference or referred to in this proxy statement/prospectus. Please read with particular care the detailed description of the risks described in [Risk Factors](#) beginning on page 24 and in Solutia's and Eastman's respective SEC filings referred to in [Where You Can Find More Information](#) beginning on page 167.

### **Q: What will happen to my future dividends?**

A: Solutia has agreed that, until the completion of the merger, it will not pay any dividends other than in respect of the dividend that was declared by the Solutia board of directors and is to be paid on March 15, 2012.

After the merger, Eastman currently expects to pay quarterly cash dividends consistent with its practice before the merger, although any dividends are subject to declaration by the Eastman board of directors.

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**Table of Contents**

**Q: What are the tax consequences to Solutia stockholders of the merger?**

A: The exchange of the merger consideration for Solutia common stock in the merger will be a taxable transaction under the U.S. Internal Revenue Code of 1986, or the Code, and may also be taxable under state, local and non-U.S. income and other tax laws. Please carefully review the information under The Merger Material U.S. Federal Income Tax Consequences beginning on page 127 for a description of the material U.S. federal income tax consequences of the merger and of owning Eastman common stock received in the merger to U.S. holders and non-U.S. holders (in each case, as defined in The Merger Material U.S. Federal Income Tax Consequences ). The tax consequences to you will depend on your own situation. We urge you to consult your tax advisors as to the specific tax consequences to you of the merger and your receipt of the merger consideration, including the applicability and effect of U.S. federal, state, local and non-U.S. income and other tax laws in light of your particular circumstances.

**Q: When and where is the Solutia special meeting?**

A: The Solutia special meeting will be held at 10:00 a.m., local time, on \_\_\_\_\_, 2012, at \_\_\_\_\_.

**Q: What matters are to be voted on at the Solutia special meeting?**

A: At the Solutia special meeting, holders of Solutia common stock as of the close of business on May 4, 2012 (the record date ) will be asked to:

Proposal 1. \_\_\_\_\_ consider and vote upon the adoption of the merger agreement;

Proposal 2. \_\_\_\_\_ consider and vote, on a non-binding, advisory basis, to approve compensation that may be paid or become payable to Solutia's named executive officers that is based on or otherwise relates to the merger contemplated by the merger agreement; and

Proposal 3. \_\_\_\_\_ consider and vote upon the approval of the adjournment of the Solutia special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the Solutia special meeting.

**Q: What is a quorum?**

A: In order for business to be conducted at the Solutia special meeting, a quorum must be present (other than with respect to Proposal 3, the proposal related to adjournments, for which a quorum is not required). The quorum requirement for holding the Solutia special meeting and transacting business at the Solutia special meeting is a majority of the outstanding shares of Solutia common stock as of the record date that are present or represented at the Solutia special meeting. The shares may be present in person or represented by proxy at the Solutia special meeting. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum.

Broker non-votes may occur because certain beneficial holders of shares of Solutia common stock hold their shares in street name through a broker, bank or other nominee. Under the rules of the New York Stock Exchange, brokers, banks and other nominees are not permitted to exercise voting discretion on any of the proposals to be voted upon at the Solutia special meeting. Therefore, if a beneficial holder of shares of Solutia common stock does not give the broker, bank or other nominee specific voting instructions on Proposals 1, 2 or 3, the holder's shares of Solutia common stock will not be voted on those proposals and a broker non-vote will occur. Broker non-votes will have the same effect as a vote against Proposal 1 and will have no effect on the voting results of Proposals 2 or 3.

**Q: Who can vote at the Solutia special meeting?**

A: Holders of record at the close of business as of the record date of Solutia common stock will be entitled to notice of and to vote at the Solutia special meeting. Each of the shares of Solutia common stock issued and outstanding on the record date is entitled to one vote at the Solutia special meeting with regard to each of the proposals described above.

**Table of Contents**

**Q: Why am I being asked to consider and vote upon a proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to Solutia's named executive officers that is based on or otherwise relates to the merger?**

A: Under SEC rules, Solutia is required to seek a non-binding, advisory vote with respect to the compensation that may be paid or become payable to Solutia's named executive officers that is based on or otherwise relates to the merger, or golden parachute compensation.

**Q: What will happen if Solutia stockholders do not approve the golden parachute compensation?**

A: Approval of the compensation that may be paid or become payable to Solutia's named executive officers that is based on or otherwise relates to the merger is not a condition to completion of the merger. The vote is an advisory vote and will not be binding on Solutia. Therefore, if the merger agreement is adopted by Solutia stockholders and the merger is completed, this compensation, including amounts that Solutia is contractually obligated to pay, could still be payable regardless of the outcome of the advisory vote, subject only to the conditions applicable thereto.

**Q: What stockholder approvals are needed?**

A: Proposal 1 requires the affirmative vote of a majority of the outstanding shares of Solutia common stock entitled to vote at the Solutia special meeting to be approved. Proposals 2 and 3 require the affirmative vote of a majority of the votes cast at the Solutia special meeting by holders of Solutia common stock to be approved.

As of May 4, 2012, the record date for determining stockholders of Solutia entitled to vote at the Solutia special meeting, there were \_\_\_\_\_ shares of Solutia common stock outstanding and entitled to vote at the Solutia special meeting, held by approximately \_\_\_\_\_ holders of record.

**Q: Are Eastman stockholders voting on the merger?**

A: No. No vote of Eastman stockholders is required on the merger.

**Q: If I beneficially own restricted shares of Solutia common stock as of the record date issued pursuant to any Solutia Equity Plan, will I be able to vote on the matters to be voted upon at the Solutia special meeting?**

A: Yes. Holders who beneficially own restricted shares of Solutia common stock as of the record date issued pursuant to any Solutia Equity Plan may vote on the adoption of the merger agreement and on the other matters to be voted on at the Solutia special meeting.

**Q: Will any other matters be presented for a vote at the Solutia special meeting?**

A: Solutia is not aware of any other matters that will be presented for a vote at the Solutia special meeting. However, if any other matters properly come before the Solutia special meeting, the proxies will have the discretion to vote upon such matters in accordance with their best judgment.

**Q: Who can attend the Solutia special meeting?**

A: You are entitled to attend the Solutia special meeting only if you are a Solutia stockholder of record or a beneficial owner as of the record date, or you hold a valid proxy for the Solutia special meeting.

If you are a Solutia stockholder of record and wish to attend the Solutia special meeting, please so indicate on the appropriate proxy card or as prompted by the telephone or Internet voting system. Your name will be verified against the list of Solutia stockholders of record prior to your being admitted to the Solutia special meeting.



## **Table of Contents**

If a broker, bank or other nominee is the record owner of your shares of Solutia common stock, you will need to have proof that you are the beneficial owner to be admitted to the Solutia special meeting. A recent statement or letter from your bank or broker confirming your ownership as of the record date, or presentation of a valid proxy from a broker, bank or other nominee that is the record owner of your shares of Solutia common stock, would be acceptable proof of your beneficial ownership.

You should be prepared to present photo identification for admittance. If you do not provide photo identification or comply with the other procedures outlined above upon request, you may not be admitted to the Solutia special meeting.

Regardless of whether you intend to attend the Solutia special meeting, you are encouraged to vote your shares of Solutia common stock as promptly as possible. Voting your shares will not impact your ability to attend the Solutia special meeting.

### **Q: How do I vote my shares?**

A: You may vote your shares of Solutia common stock by proxy electronically via the Internet, by telephone, by sending in the appropriate paper proxy card or in person at the Solutia special meeting. You can specify how you want your shares of Solutia common stock voted on each proposal by indicating your vote on each proposal via the Internet or telephone, marking the appropriate boxes on the appropriate proxy card or voting in person at the Solutia special meeting. Please review the voting instructions on the proxy card and read the entire text concerning the proposals in this proxy statement/prospectus prior to voting.

Whether you vote your proxy electronically via the Internet, by telephone or by mail, Solutia will treat your proxy the same way. The individuals appointed as proxy holders will be Jeffrey N. Quinn, Solutia's Chairman of the Board, President and Chief Executive Officer, and Paul J. Berra, III, Solutia's Senior Vice President, Legal and Governmental Affairs and General Counsel. The shares of Solutia common stock represented by valid proxies that Solutia receives in time for the Solutia special meeting will be voted as specified in such proxies. Valid proxies include all proxies submitted electronically via the Internet and by telephone and all properly executed, written paper proxy cards received pursuant to this solicitation that are not later revoked. Executed but unvoted proxy cards will be voted in accordance with the recommendations of the Solutia board of directors.

### **Q: How do I vote if my shares of Solutia common stock are held in street name by a broker, bank or other nominee?**

A: If you hold your shares of Solutia common stock in street name, you have the right to direct your broker, bank or other nominee how to vote the shares. You should complete a voting instruction card provided to you by your broker, bank or other nominee or provide your voting instructions electronically via the Internet or by telephone, if made available by your broker, bank or other nominee. If you wish to vote in person at the meeting, you must first obtain from the holder of record a proxy issued in your name.

### **Q: If my shares of Solutia common stock are held in street name, will my broker, bank or other nominee vote my shares for me?**

A: If you hold your shares of Solutia common stock in street name and do not provide voting instructions to your broker, bank or other nominee, your shares will not be voted on the proposals described above because your broker, bank or other nominee does not have discretionary authority to vote on these proposals. You should follow the directions your broker, bank or other nominee provides. Shares of Solutia common stock that are not voted because you do not properly instruct your broker, bank or other nominee will have the effect of a vote against Proposal 1. Shares of Solutia common stock that are not voted because you do not properly instruct your broker, bank or other nominee will have no effect on the outcome of Proposal 2 or 3.

**Table of Contents**

**Q: Can I change my vote after I have delivered my proxy?**

A: Yes. You can change your vote at any time before your proxy is voted at the Solutia special meeting. If you are a holder of record you can do so by:

filing a written notice of revocation with Solutia's Corporate Secretary, 575 Maryville Centre Drive, St. Louis, Missouri 63141;

submitting a new proxy electronically via the Internet or by telephone at a later date (in which case only the last proxy is counted);

submitting a new written proxy card before the Solutia special meeting (in which case only the last proxy card received is counted);  
or

attending the Solutia special meeting and voting in person. Attendance at the Solutia special meeting will not in and of itself constitute a revocation of a proxy.

If you hold shares of Solutia common stock registered in the name of a broker, bank or other nominee, you may change your vote only by submitting new voting instructions to your broker, bank or other nominee. If the Solutia special meeting is postponed or adjourned, it will not affect the ability of stockholders of record as of the record date to exercise their voting rights or to revoke any previously granted proxy using the methods described above.

**Q: What if I do not vote?**

A: If you fail to respond with a vote on Proposal 1, or if you respond and indicate that you are abstaining from voting on such proposal, it will have the same effect as a vote against Proposal 1. If you fail to respond with a vote on Proposal 2 or 3, or if you respond and indicate that you are abstaining from voting on Proposal 2 or 3, it will have no effect on the outcome of Proposal 2 or 3.

**Q: What if I receive more than one proxy card?**

A: If you receive more than one proxy card, your shares of Solutia common stock are registered in more than one name or are registered in different accounts. Please complete, date, sign and return each appropriate proxy card to ensure that all your shares are voted.

**Q: What do I need to do now?**

A: After carefully reading and considering the information contained in this proxy statement/prospectus, please respond by completing, signing and dating the appropriate proxy card or voting instruction card and returning in the enclosed postage-paid envelope, or, if available, by submitting your voting instruction electronically via the Internet or by telephone, as soon as possible so that your shares of Solutia common stock may be represented and voted at the Solutia special meeting. In addition, you may also vote your shares in person at the Solutia special meeting. If you hold shares registered in the name of a broker, bank or other nominee, that broker, bank or other nominee has enclosed, or will provide, instructions for directing your broker, bank or other nominee how to vote those shares.

**Q: Should I send in my stock certificates (or evidence of shares in book-entry form) with my proxy card?**

A: No. Please do NOT send your Solutia stock certificates (or evidence of shares in book-entry form) with your proxy card.

**Q: Who can help answer my questions?**

A: If you have any questions about the Solutia special meeting, the matters to be voted upon, including the merger, or questions about how to submit your proxy, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card or voting instruction card, you should contact MacKenzie Partners at [proxy@mackenziepartners.com](mailto:proxy@mackenziepartners.com) (e-mail), call toll-free: (800) 322-2885 or call collect: (212) 929-5500.

**Table of Contents**

**SUMMARY**

*This summary highlights selected information described in more detail elsewhere in this proxy statement/prospectus and the documents incorporated herein by reference and may not contain all of the information that is important to you. To understand the merger and the other matters to be voted on by Solutia stockholders at the Solutia special meeting more fully, and to obtain a more complete description of the terms of the merger agreement, you should carefully read this entire proxy statement/prospectus, including the Annexes, and the documents to which Eastman and Solutia refer you. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions in the section entitled *Where You Can Find More Information* beginning on page 167. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.*

**The Companies**

***Eastman Chemical Company (See page 31)***

Eastman Chemical Company

200 South Wilcox Drive

Kingsport, Tennessee 37662

(423) 229-2000

Eastman Chemical Company is a global chemical company which manufactures and sells a broad portfolio of chemicals, plastics, and fibers. Eastman began business in 1920 for the purpose of producing chemicals for Eastman Kodak Company's photographic business and became a public company, incorporated in Delaware, on December 31, 1993. Eastman has 19 manufacturing sites in 10 countries and equity interests in joint ventures that supply chemicals, plastics, and fibers products to customers throughout the world. Eastman's headquarters and largest manufacturing site are located in Kingsport, Tennessee.

Additional information about Eastman is included in documents incorporated by reference into this proxy statement/prospectus. See *Where You Can Find More Information* beginning on page 167.

***Merger Sub***

Eagle Merger Sub Corporation

c/o Eastman Chemical Company

200 South Wilcox Drive

Kingsport, Tennessee 37662

(423) 229-2000

Eagle Merger Sub Corporation, a Delaware corporation, is a wholly owned subsidiary of Eastman. Merger Sub was formed by Eastman solely to complete the merger. Merger Sub has not commenced any operations, has only nominal assets and has no liabilities or contingent liabilities, nor any outstanding commitments other than as set forth in the merger agreement. In the merger, Merger Sub will merge with and into Solutia, and Merger Sub will cease to exist.

***Solutia Inc. (See page 32)***

Solutia Inc.

575 Maryville Centre Drive

St. Louis, Missouri 63141

(314) 674-1000

## **Table of Contents**

Solutia Inc. is a global manufacturer of performance materials and specialty chemicals used in a broad range of consumer and industrial applications including interlayers and aftermarket film for automotive and architectural glass; chemicals that promote safety and durability in tires; and encapsulants, coatings and specialty chemicals used in a variety of electronic, industrial and energy solutions. To serve its customers, Solutia utilizes a global infrastructure consisting of 26 manufacturing facilities, six technical centers and approximately 30 sales offices globally, collectively staffed by approximately 3,400 employees located in the United States, Europe, Latin America and Asia Pacific.

Additional information about Solutia and its subsidiaries is included in documents incorporated by reference into this proxy statement/prospectus. See [Where You Can Find More Information](#) beginning on page 167.

### **The Merger**

The boards of directors of Solutia and Eastman have each approved a merger agreement, entered into on January 26, 2012, providing for Solutia to be acquired by Eastman. At the Solutia special meeting, you will be asked to consider and vote upon a proposal to adopt the merger agreement, pursuant to which Solutia would be acquired through a merger with a wholly owned subsidiary of Eastman.

The effect of the merger will be that Solutia will be acquired by Eastman and shares of Solutia common stock will no longer be publicly traded.

Solutia stockholders are receiving this proxy statement/prospectus in connection with Solutia's solicitation of proxies for its special meeting of stockholders.

### **The Merger Agreement (See page 133)**

A copy of the merger agreement is attached as *Annex A* to this proxy statement/prospectus. Eastman and Solutia encourage you to read the entire merger agreement carefully because it is the principal document governing the merger.

### **Merger Consideration (See page 134)**

At the effective time of the merger, each share of Solutia common stock issued and outstanding immediately prior to the effective time of the merger (other than shares owned by Solutia as treasury stock and shares held by holders properly exercising appraisal rights under the DGCL) will be cancelled and converted automatically into the right to receive, in accordance with the terms of the merger agreement, (1) \$22.00 in cash, without interest, and (2) 0.12 shares of Eastman common stock. Eastman expects that it may issue up to 15,770,889 shares of Eastman common stock in the merger.

### **Merger Consideration Value (See page 56)**

Based on the closing price of Eastman common stock on the New York Stock Exchange on January 26, 2012, the last trading day prior to the public announcement of the merger, the merger consideration represented approximately \$27.65 in value for each share of Solutia common stock. Based on the closing price of Eastman common stock on the New York Stock Exchange on \_\_\_\_\_, 2012, the latest practicable date before the date of this proxy statement/prospectus, the merger consideration represented approximately \$ \_\_\_\_\_ in value for each share of Solutia common stock. Eastman will not issue any fractional shares of Eastman common stock in the merger. Holders of Solutia common stock who would otherwise be entitled to a fractional share of Eastman common stock will receive a cash payment in lieu of fractional shares.

## **Table of Contents**

### **The Solutia Board of Directors' Reasons for the Merger (See page 83)**

In the course of reaching its decision to approve the merger agreement, the Solutia board of directors considered a number of factors in its deliberations. Those factors are described in "The Merger Recommendation of the Solutia Board of Directors and Solutia's Reasons for the Merger" beginning on page 83.

### **Opinions of Solutia's Financial Advisors (See page 89)**

At the January 26, 2012 meeting of the Solutia board of directors, Deutsche Bank Securities Inc., or "Deutsche Bank," in its capacity as financial advisor to Solutia, delivered its oral opinion to the Solutia board of directors, subsequently confirmed in writing as of the same date, to the effect that, as of the date of such opinion, and based upon and subject to the assumptions, limitations, qualifications and conditions described in Deutsche Bank's opinion, the merger consideration of (1) \$22.00 in cash, without interest, and (2) 0.12 shares of Eastman common stock per share to be received in the merger by holders of Solutia common stock (other than in respect of shares owned by Solutia as treasury stock and shares held by Solutia stockholders properly exercising appraisal rights under the DGCL) was fair, from a financial point of view, to such holders.

**The full text of Deutsche Bank's written opinion, dated January 26, 2012, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Deutsche Bank in connection with the opinion, is included in this proxy statement/prospectus as Annex B and is incorporated herein by reference. Deutsche Bank's opinion was addressed to, and for the use and benefit of, the Solutia board of directors in connection with and for purposes of its evaluation of the merger. Deutsche Bank's opinion does not constitute a recommendation as to how any holder of Solutia common stock should vote with respect to the merger. Deutsche Bank's opinion was limited to the fairness, from a financial point of view, of the consideration to be paid in respect of each share of Solutia common stock and does not address any other aspect of the merger or the merger agreement. Deutsche Bank expressed no opinion as to the underlying business decision of Solutia to engage in the merger or the relative merits of the merger as compared to any alternative transactions or business strategies.**

At the January 26, 2012 meeting of the Solutia board of directors, Moelis & Company LLC, or "Moelis," in its capacity as financial advisor to Solutia, delivered its oral opinion to the Solutia board of directors, subsequently confirmed in writing as of the same date, to the effect that, as of the date of such opinion, and based upon and subject to the conditions and limitations set forth in Moelis' written opinion, the merger consideration of (1) \$22.00 in cash, without interest, and (2) 0.12 shares of Eastman common stock per share to be received in the merger by holders of Solutia common stock was fair, from a financial point of view, to such holders.

**The full text of Moelis' written opinion, dated January 26, 2012, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is included in this proxy statement/prospectus as Annex C and is incorporated into this proxy statement/prospectus by reference. Moelis' opinion was addressed to, and for the use and benefit of, the Solutia board of directors in connection with and for purposes of its evaluation of the merger. Moelis' opinion is limited solely to the fairness, from a financial point of view, of the merger consideration pursuant to the merger agreement to the holders of Solutia common stock as of the date of the opinion and does not address Solutia's underlying business decision to effect the merger or the relative merits of the merger as compared to any alternative business strategies or transactions that might be available to Solutia. Moelis' opinion does not constitute a recommendation to any stockholder of Solutia as to how such stockholder should vote with respect to the merger or any other matter.**

## **Table of Contents**

### **Opinion of the Solutia Board of Directors Financial Advisor (See page 99)**

On January 26, 2012, Perella Weinberg Partners LP, or Perella Weinberg, in its capacity as financial advisor to the Solutia board of directors, rendered its opinion to the Solutia board of directors to the effect that, as of such date, and based upon and subject to the various assumptions, qualifications and limitations set forth in the opinion, the merger consideration of (1) \$22.00 in cash, without interest, and (2) 0.12 shares of Eastman common stock per share to be received in the merger by holders of Solutia common stock (other than in respect of shares owned by Solutia as treasury stock and shares held by Solutia stockholders properly exercising appraisal rights under the DGCL) was fair, from a financial point of view, to such holders.

**The full text of Perella Weinberg's written opinion, dated January 26, 2012, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken by Perella Weinberg, is included in this proxy statement/prospectus as Annex D. The opinion does not address the underlying business decision of Solutia to enter into the merger agreement or the relative merits of the merger as compared with any other strategic alternative which may be available to Solutia. The opinion was not intended to be and does not constitute a recommendation to any holder of Solutia common stock as to how such holder should act with respect to the proposed merger or any other matter. Perella Weinberg provided its opinion only for the information and assistance of the Solutia board of directors in its capacity as such and in connection with, and for the purposes of its evaluation of, the merger.**

### **Treatment of Solutia Stock Options and Other Equity-Based Awards (See page 135)**

#### ***Treatment of Solutia Stock Options***

At the effective time of the merger, each outstanding option to acquire shares of Solutia common stock issued under any Solutia Equity Plan, whether or not then vested or exercisable, will be cancelled and terminated in exchange for the right to receive, in cash, the amount by which the cash value of the merger consideration (using the five-day average trading price of Eastman common stock ending on (and including) the trading day that is two days prior to the merger) exceeds the exercise price for such option.

#### ***Treatment of Solutia Restricted Stock***

At the effective time of the merger, restrictions on any restricted shares of Solutia common stock issued under any Solutia Equity Plan will lapse and such shares will be fully vested, and the holder thereof will be entitled to receive, for each such restricted share of Solutia common stock, the merger consideration.

#### ***Treatment of Solutia Restricted Stock Unit Awards***

At the effective time of the merger, each restricted stock unit issued under any Solutia Equity Plan will be converted into a vested right to receive, in cash, the value of the merger consideration (using the five-day average trading price of Eastman common stock ending on (and including) the trading day that is two days prior to the merger).

#### ***Treatment of Solutia Performance Share Awards and Performance Share Unit Awards***

At the effective time of the merger, restrictions on any performance share award or performance share unit award granted under any Solutia Equity Plan will lapse and such performance share award or performance share unit award will become vested based on no greater than the performance results for the applicable performance period according to the relevant award provisions, and the holder thereof will be entitled to receive, in the case of each performance share award in the form of restricted stock, the merger consideration and, in the case of each performance share unit award in the form of restricted stock units, the cash value of the merger consideration.



## **Table of Contents**

(using the five-day average trading price of Eastman common stock ending on (and including) the trading day that is two trading days prior to the merger).

### **Treatment of Solutia Warrants (See page 135)**

At the effective time of the merger, each warrant issued under the Warrant Agreement, dated February 28, 2008, between Solutia and the warrant agent named therein, whether or not then vested or exercisable, will be converted into a warrant to acquire, upon exercise, on substantially the same terms and conditions as were applicable to such warrant immediately prior to the effective time of the merger, the merger consideration.

### **Treatment of Rights under Solutia Rights Agreement (page 66)**

Solutia's Rights Agreement, dated as of July 27, 2009, between Solutia and the rights agent named therein, as amended (the Solutia Rights Agreement), provides that it, and the rights issued thereunder, will terminate immediately prior to the effective time of the merger. As a result, no consideration will be paid, or is payable, to holders of any such rights.

### **Interests of Solutia Directors and Executive Officers in the Merger (See page 113)**

You should be aware that Solutia's executive officers and directors have economic interests in the merger that are different from, or in addition to, those of Solutia stockholders generally. These interests include, but are not limited to: the treatment of equity awards held by Solutia's executive officers and directors (including the acceleration and payment with respect to unvested stock options, restricted stock, restricted stock units and performance share awards), the potential acceleration of the prorated annual incentives to Solutia's executive officers at the target level for the year in which the merger is completed, the potential acceleration of supplemental retirement benefits, the potential acceleration with respect to the prorated vesting for Solutia's named executive officers and full vesting for all of Solutia's other executive officers of the phantom stock units granted for the year in which the merger is completed, the potential payment of severance and other benefits to Solutia's executive officers, the potential payment of tax gross-ups to certain of Solutia's executive officers and the continuation of certain rights to indemnification and of coverage under directors' and officers' liability insurance policies following the completion of the merger. The Solutia board of directors was aware of and considered those interests, among other matters, in reaching its decision to approve and adopt the merger agreement and recommend that Solutia stockholders adopt the merger agreement.

### **Conditions to the Completion of the Merger (See page 136)**

Eastman and Solutia currently expect to complete the merger in mid-2012, subject to receipt of required stockholder and regulatory approvals and the satisfaction or waiver of the other conditions to the merger. As more fully described in this proxy statement/prospectus and in the merger agreement, each party's obligation to complete the merger depends on a number of conditions being satisfied or, where legally permissible, waived, including the following:

the adoption by the Solutia stockholders of the merger agreement;

the authorization of the shares of Eastman common stock to be issued in the merger for listing on the New York Stock Exchange;

the expiration or termination of the applicable waiting period under the HSR Act and the clearance of the merger under certain applicable foreign antitrust or competition laws;

the effectiveness of the registration statement (of which this proxy statement/prospectus is a part) relating to the issuance of the shares of Eastman common stock to be issued in the merger; and

the absence of any legal injunction, restraint, or prohibition on the completion of the merger.



## **Table of Contents**

The obligation of Eastman and Merger Sub to complete the merger is subject to the following additional conditions:

the accuracy of the representations and warranties of Solutia, subject to certain materiality standards as described under The Merger Agreement Conditions to the Completion of the Merger beginning on page 136, and the receipt of a certificate signed on behalf of Solutia by its Chief Executive Officer or Chief Financial Officer to that effect;

the performance by Solutia in all material respects of its obligations under the merger agreement and receipt of a certificate signed on behalf of Solutia by its Chief Executive Officer or Chief Financial Officer to that effect; and

the absence of a material adverse effect on Solutia.

The obligation of Solutia to complete the merger is subject to the following additional conditions:

the accuracy of the representations and warranties of Eastman and Merger Sub, subject to certain materiality standards as described under The Merger Agreement Conditions to the Completion of the Merger beginning on page 136, and the receipt of a certificate signed on behalf of Eastman and Merger Sub by the Chief Executive Officer or Chief Financial Officer of Eastman to that effect;

the performance by Eastman and Merger Sub in all material respects of their obligations under the merger agreement and receipt of a certificate signed on behalf of Eastman and Merger Sub by the Chief Executive Officer or Chief Financial Officer of Eastman to that effect; and

the absence of a material adverse effect on Eastman.

### **Regulatory Approvals Required to Complete the Merger (See page 142)**

Eastman and Solutia have agreed to cooperate and use reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. For an acquisition transaction meeting certain size thresholds, such as the merger, the HSR Act requires the parties to file notification and report forms with the Antitrust Division of the United States Department of Justice, or the DOJ, and the Federal Trade Commission, or the FTC, and to observe specified waiting period requirements before completing the merger. Eastman and Solutia have filed the required notifications with the Antitrust Division of the DOJ and the FTC. The waiting period under the HSR Act expired on March 28, 2012.

In addition, under the antitrust or competition laws of the European Union, China, South Korea, and the Ukraine, Eastman and Solutia cannot complete the merger until they file certain required notifications and report forms with the relevant antitrust or competition governmental entities and, where applicable, receive clearance (including the passage of applicable waiting periods) from such governmental entities to complete the merger. South Korea and China cleared the merger on March 23, 2012 and April 16, 2012, respectively, and the parties expect the Ukraine waiting period to expire on April 26, 2012. On April 16, 2012, the European Commission accepted the parties' filing as complete, triggering a 25-business day Phase One waiting period.

### **Financing (See page 66)**

Eastman's obligation to complete the merger is not conditioned upon its obtaining financing to pay the cash portion of the merger consideration. In connection with the merger, Eastman has entered into financing arrangements, consisting of a Term Loan Agreement and a Bridge Loan Agreement (each as defined herein), which together provide for commitments in an aggregate amount of \$3.5 billion, the proceeds of one or both of



## **Table of Contents**

which Eastman expects to use to fund, in part, the cash portion of the merger consideration and to pay a portion of the fees and expenses related to the merger, which may include the repayment of outstanding borrowings of Solutia.

### **Termination of the Merger Agreement (See page 142)**

Eastman and Solutia may terminate the merger agreement at any time before the effective time of the merger, whether before or after Solutia stockholders have voted in favor of adoption of the merger agreement, by mutual written consent of Eastman and Solutia duly authorized by each of their respective boards of directors.

In addition, either Eastman or Solutia may terminate the merger agreement at any time before the effective time of the merger by written notice to the other party:

whether before or after Solutia stockholders have voted in favor of adoption of the merger agreement, if the merger has not been completed on or before October 1, 2012; provided, however, that if all of the conditions to closing have been satisfied or are then capable of being satisfied (other than those that are satisfied by having obtained the required antitrust clearances or there being no effective injunctions preventing the completion of the transactions contemplated in the merger agreement), such termination date may be extended by Eastman or Solutia from time to time by written notice to the other party up to a date not beyond October 31, 2012 (however, such right to terminate the merger agreement will not be available to any party whose breach of any covenant or agreement in the merger agreement has been the primary cause that resulted in the failure to complete the merger by such date);

if the merger agreement has been submitted to Solutia stockholders for adoption at a duly convened stockholders meeting and such stockholders have not adopted the merger agreement upon a vote taken thereof;

if any governmental entity of competent jurisdiction enacts or issues any final and non-appealable law or order or takes any final and non-appealable action enjoining or otherwise prohibiting completion of the merger; provided that the right to terminate the merger agreement in accordance with the foregoing will not be available to any party who failed to comply with its obligations to use its reasonable best efforts to cause the transactions contemplated by the merger agreement to be completed; or

if there is a material breach by the non-terminating party of any of its representations, warranties, covenants, or agreements contained in the merger agreement that has not been cured by such party within the earlier of the termination date as described above and twenty business days after such party's receipt of written notice of such breach from the other party but only so long as the other party is not in material breach of its representations, warranties, covenants or agreements contained in the merger agreement.

In addition, at any time before the effective time of the merger (1) Eastman may terminate the merger agreement by written notice to Solutia if, prior to adoption by the Solutia stockholders of the merger agreement at a duly convened stockholders meeting, the Solutia board of directors or any committee thereof makes a change of recommendation that Solutia stockholders vote in favor of the adoption of the merger agreement, and (2) Solutia may terminate the merger agreement by written notice to Eastman at any time prior to adoption by Solutia stockholders of the merger agreement at a duly convened stockholders meeting, in order to approve, adopt, recommend, accept, or enter into an acquisition agreement relating to a superior proposal, subject to payment by Solutia to Eastman of a termination fee of \$102 million.

### **Restrictions on Alternative Transactions (See page 138)**

The merger agreement contains detailed provisions prohibiting Solutia from seeking an alternative transaction to the merger. Under these no solicitation provisions, Solutia has agreed that, from the time of the

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**Table of Contents**

execution of the merger agreement until the completion of the merger or the termination of the merger agreement, it will not, will not authorize or permit any of its subsidiaries and their respective officers, directors, or employees, and will use its reasonable best efforts to cause its investment banks, attorneys or other advisors or representatives not to:

initiate, solicit or knowingly encourage the submission of, or (other than informing persons of the non-solicitation provision), participate or engage in any negotiations or discussions with respect to, any acquisition proposal (as defined in the merger agreement);

disclose or furnish any nonpublic information or data to any person concerning Solutia in connection with any acquisition proposal or afford any person access to the properties, books or records of Solutia or its subsidiaries in connection with any acquisition proposal except as required by law, pursuant to a request by any governmental entity or if the Solutia board of directors determines in good faith, after consultation with its financial advisors and outside counsel that such acquisition proposal is or would reasonably be expected to lead to a superior proposal; or

enter into or execute, or propose to enter into or execute, any acquisition agreement.

Notwithstanding these restrictions, Solutia and its subsidiaries, officers, directors, employees, investment banks, attorneys and other advisors or representatives will be permitted under certain circumstances, prior to the receipt of the Solutia stockholder approval of the proposal to adopt the merger agreement, to furnish non-public information with respect to Solutia and its subsidiaries to a person making an acquisition proposal that did not otherwise result from a breach of the foregoing no solicitation provisions and participate in discussions and negotiations including making counter proposals with respect to such acquisition proposal received by Solutia if the Solutia board of directors (or a duly authorized committee thereof) determines in good faith (after consultation with financial advisors and outside legal counsel) that such proposal is or could reasonably be expected to lead to a superior proposal.

Further, the Solutia board of directors may, at any time after the date of the merger agreement and prior to the adoption of the merger agreement by Solutia stockholders, solely in response to a superior proposal that did not result from a breach of the non-solicitation covenants of the merger agreement, effect a change of recommendation and terminate the merger agreement and concurrently approve, adopt, recommend, accept or enter into an acquisition agreement related to a superior proposal if and to the extent that the Solutia board of directors (or a duly authorized committee thereof) determines in good faith, after consultation with its financial advisor and outside counsel, that failing to take any such action would be reasonably likely to be inconsistent with the directors obligations under applicable law, and if certain other conditions which are described elsewhere in this proxy statement/prospectus are satisfied. In such an event, Solutia may be required to pay Eastman a termination fee of \$102 million.

Further, at any time after the date of the merger agreement and prior to the adoption of the merger agreement by Solutia stockholders, in contexts not involving an acquisition proposal, the Solutia board of directors may effect a change of its recommendation in favor of adoption of the merger agreement if the Solutia board of directors (or a duly authorized committee thereof) determines in good faith, after consultation with its financial advisor and outside counsel, that failure to take such action would be reasonably likely to be inconsistent with the directors obligations under applicable law. In such an event, Solutia may be required to pay Eastman a termination fee of \$102 million.

**Expenses and Termination Fee Relating to the Merger (See page 143)**

Generally, all fees and expenses incurred in connection with the merger agreement will be paid by the party incurring those expenses. Eastman will pay the filing fees in connection with all filings pursuant to the HSR Act.

## **Table of Contents**

Following termination of the merger agreement under specified circumstances, Solutia may be required to pay Eastman a termination fee of \$102 million.

### **Accounting Treatment of the Merger (See page 127)**

The merger will be accounted for by Eastman as a business combination under the acquisition method of accounting.

### **Material U.S. Federal Income Tax Consequences (See page 127)**

The exchange of the merger consideration for Solutia common stock in the merger will be a taxable transaction under the Code and may also be taxable under state, local and non-U.S. income and other tax laws. Please carefully review the information under **The Merger Material U.S. Federal Income Tax Consequences** beginning on page 127 for a description of the material U.S. federal income tax consequences of the merger and of owning Eastman common stock received in the merger to U.S. holders and non-U.S. holders. The tax consequences to you will depend on your situation. We urge you to consult your tax advisors as to the specific tax consequences to you of the merger and your receipt of the merger consideration, including the applicability and effect of U.S. federal, state, local and non-U.S. income and other tax laws in light of your particular circumstances.

### **Legal Proceedings Related to the Merger (See page 126)**

Since the announcement on January 27, 2012 of the execution of the merger agreement, Solutia, Eastman, Merger Sub and the members of the Solutia board of directors have been named as defendants in several putative class action complaints challenging the proposed merger. The lawsuits generally allege, among other things, that the merger fails to properly value Solutia, that the individual defendants breached their fiduciary duties in approving the merger agreement and that those breaches were aided and abetted by Eastman. The lawsuits seek, among other things, injunctive relief to enjoin the defendants from completing the merger on the agreed upon terms, monetary relief and attorneys' fees and costs.

### **Comparison of the Rights of Holders of Eastman Common Stock and Solutia Common Stock (See page 154)**

As a result of the completion of the merger, holders of Solutia common stock, restricted shares of Solutia common stock, and certain performance share awards will become holders of Eastman common stock, and holders of warrants to acquire Solutia common stock will become holders of warrants to acquire the merger consideration, which includes Eastman common stock. Each of Eastman and Solutia is a Delaware corporation governed by the DGCL, but the rights of Eastman stockholders currently are, and from and after the merger will be, governed by the Eastman Charter and the Eastman Bylaws, while the rights of Solutia stockholders are currently governed by the Solutia Charter and the Solutia Bylaws. This proxy statement/prospectus includes summaries of the material differences between the rights of Solutia stockholders and Eastman stockholders arising because of difference in the charters and bylaws of the two companies.

### **Appraisal Rights in Connection with the Merger (See page 122)**

Pursuant to Section 262 of the DGCL, holders of Solutia common stock who do not vote in favor of adoption of the merger agreement and who comply with the applicable requirements of Section 262 of the DGCL have the right to seek appraisal of the fair value of their shares of Solutia common stock, as determined by the Delaware Court of Chancery, if the merger is completed. The fair value of your shares of Solutia common stock as determined by the Delaware Court of Chancery may be more or less than, or the same as, the value of the merger consideration per share that you are otherwise entitled to receive under the terms of the merger.

**Table of Contents**

agreement. Holders of Solutia common stock who wish to preserve any appraisal rights they may have must so advise Solutia by submitting a demand for appraisal in the form described in this proxy statement/prospectus prior to the vote to adopt the merger agreement, and must otherwise follow the procedures prescribed by Section 262 of the DGCL. A person having a beneficial interest in shares of Solutia common stock held of record in the name of another person, such as a broker, bank or other nominee, must act promptly to cause the record holder to follow the steps summarized in this proxy statement/prospectus and in a timely manner to perfect appraisal rights. **In view of the complexity of Section 262 of the DGCL, Solutia stockholders who may wish to pursue appraisal rights should consult their legal and financial advisors.**

**Solutia Special Meeting (See page 57)**

The Solutia special meeting will be held at 10:00 a.m., local time, on \_\_\_\_\_, 2012, at \_\_\_\_\_.

Holders of record of Solutia common stock at the close of business on the record date will be entitled to notice of and to vote at the Solutia special meeting with regard to Proposals 1-3. On the record date there were \_\_\_\_\_ shares of Solutia common stock outstanding and entitled to vote at the Solutia special meeting, held by approximately \_\_\_\_\_ holders of record. Each share of Solutia common stock issued and outstanding on the record date is entitled to one vote on each proposal to be voted upon at the Solutia special meeting.

As of the record date, Solutia's directors and executive officers, and their affiliates, as a group, owned and were entitled to vote \_\_\_\_\_ shares of Solutia common stock, or approximately \_\_\_\_\_ % of the outstanding shares of Solutia common stock. Solutia currently expects that its directors and executive officers will vote their shares FOR Proposals 1, 2 and 3, but none of Solutia's directors or executive officers have entered into any agreement obligating them to do so.



**Table of Contents****SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA****Summary Historical Consolidated Financial Data of Eastman**

The following table presents summary historical consolidated financial data for Eastman as of and for the fiscal years ended December 31, 2011, 2010, 2009, 2008 and 2007. The information should be read in conjunction with Eastman's consolidated financial statements and the related notes thereto and the information under the heading "Management's Discussion and Analysis of Financial Conditions and Results of Operations" set forth in its annual report on Form 10-K for the fiscal year ended December 31, 2011, which is incorporated by reference into this proxy statement/prospectus. The information as of December 31, 2009, 2008 and 2007 and for the fiscal years ended December 31, 2008 and 2007 should be read in conjunction with Eastman's consolidated financial statements and related notes thereto, which have previously been filed with, and are available from, the SEC but which are not incorporated by reference into this proxy statement/prospectus.

(Dollars in millions, except per share amounts)

**Operating Data**

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Sales	\$ 7,178	\$ 5,842	\$ 4,396	\$ 5,936	\$ 5,513
Operating earnings (1)	1,021	862	345	551	683
Earnings from continuing operations (2)	657	425	154	345	434
Earnings (loss) from discontinued operations (3)	8	13	(18)	(17)	(123)
Gain (loss) from disposal of discontinued operations (3)	31			18	(11)
Net earnings	\$ 696	\$ 438	\$ 136	\$ 346	\$ 300
<b>Basic earnings per share</b>					
Earnings from continuing operations	\$ 4.70	\$ 2.95	\$ 1.06	\$ 2.29	\$ 2.62
Earnings (loss) from discontinued operations (3)	0.28	0.09	(0.12)	0.01	(0.81)
Net earnings	\$ 4.98	\$ 3.04	\$ 0.94	\$ 2.30	\$ 1.81
<b>Diluted earnings per share</b>					
Earnings from continuing operations	\$ 4.59	\$ 2.88	\$ 1.05	\$ 2.27	\$ 2.59
Earnings (loss) from discontinued operations (3)	0.27	0.08	(0.12)		(0.80)
Net earnings	\$ 4.86	\$ 2.96	\$ 0.93	\$ 2.27	\$ 1.79

**Statement of Financial Position Data**

Current assets	\$ 2,302	\$ 2,047	\$ 1,735	\$ 1,423	\$ 2,293
Net properties	3,107	3,219	3,110	3,198	2,846
Total assets	6,184	5,986	5,515	5,281	6,009
Current liabilities	1,114	1,070	800	832	1,122
Long-term borrowings	1,445	1,598	1,604	1,442	1,535
Total liabilities	4,314	4,359	4,002	3,728	3,927
Total stockholders' equity	1,870	1,627	1,513	1,553	2,082
Dividends declared per share	0.990	0.895	0.880	0.880	0.880

- (1) Operating earnings for 2009 included an asset impairment charge of \$179 million primarily for a discontinued Beaumont, Texas, industrial gasification project.
- (2) Earnings from continuing operations for 2010 included a charge of \$115 million before tax for the early repayment of debt.
- (3) In first quarter 2011, Eastman completed the sale of the polyethylene terephthalate ( PET ) business, related assets at the Columbia, South Carolina site, and technology of its Performance Polymers segment. Performance Polymers segment operating results are presented as discontinued operations for all periods presented and are therefore not included in results from continuing operations in accordance with accounting principles generally accepted in the United States ( GAAP ).



**Table of Contents****Summary Historical Consolidated Financial Data of Solutia**

The following table presents summary historical consolidated financial data for Solutia as of and for the twelve months ended December 31, 2011, 2010 and 2009, as of and for the ten months ended December 31, 2008, as of and for the two months ended February 29, 2008 and as of and for the twelve months ended December 31, 2007. The information should be read in conjunction with Solutia's consolidated financial statements and the related notes thereto and the information under the heading "Management's Discussion and Analysis of Financial Conditions and Results of Operations" set forth in its annual report on Form 10-K for the fiscal year ended December 31, 2011, which is incorporated by reference into this proxy statement/prospectus. The information as of December 31, 2009 and 2008, February 29, 2008 and December 31, 2007 and for the ten months ended December 31, 2008, the two months ended February 29, 2008 and the twelve months ended December 31, 2007 should be read in conjunction with Solutia's consolidated financial statements and related notes thereto, which have previously been filed with, and are available from, the SEC but which are not incorporated by reference into this proxy statement/prospectus.

	Successor (1)			Ten Months Ended December 31, 2008	Predecessor (1)	
	Twelve Months Ended December 31,				Two Months Ended February 29,	Twelve Months Ended December 31,
	2011	2010	2009		2008	2007
(Dollars and shares in millions, except per share amounts)						
Net sales	\$ 2,097	\$ 1,950	\$ 1,618	\$ 1,705	\$ 321	\$ 1,612
Gross profit	\$ 634	\$ 608	\$ 477	\$ 364	\$ 92	\$ 372
As percent of net sales	30%	31%	29%	21%	29%	23%
Operating income (2)	\$ 404	\$ 331	\$ 242	\$ 118	\$ 48	\$ 129
As percent of net sales	19%	17%	15%	7%	15%	8%
Income (loss) from continuing operations before taxes	\$ 297	\$ 122	\$ 83	\$ 1	\$ 1,463	\$ (263)
Income (loss) from continuing operations (3)	\$ 267	\$ 91	\$ 66	\$ (14)	\$ 1,249	\$ (277)
Income (loss) from discontinued operations, net of tax	\$	\$ (9)	\$ (175)	\$ (649)	\$ 205	\$ 72
Net income attributable to noncontrolling interest	\$ 5	\$ 4	\$ 4	\$ 5	\$	\$ 3
Net income (loss) attributable to Solutia	\$ 262	\$ 78	\$ (113)	\$ (668)	\$ 1,454	\$ (208)
<b>Per Share Data:</b>						
Basic earnings (loss) per share from continuing operations attributable to Solutia (3)	\$ 2.19	\$ 0.73	\$ 0.58	\$ (0.25)	\$ 11.95	\$ (2.68)
Basic weighted average shares outstanding	119.8	118.9	106.5	74.7	104.5	104.5
Diluted earnings (loss) per share from continuing operations attributable to Solutia (3)	\$ 2.16	\$ 0.73	\$ 0.58	\$ (0.25)	\$ 11.95	\$ (2.68)
Diluted weighted average shares outstanding	121.3	120.0	106.7	74.7	104.5	104.5
Dividends declared per share	\$ 0.0375	\$	\$	\$	\$	\$
<b>Financial Position - Continuing Operations:</b>						
Total assets	\$ 3,525	\$ 3,532	\$ 3,236	\$ 3,216	\$ 3,629	\$ 1,802
Liabilities not subject to compromise	\$ 2,573	\$ 2,758	\$ 2,604	\$ 2,895	\$ 3,306	\$ 2,005
Liabilities subject to compromise	\$	\$	\$	\$	\$	\$ 1,922
Long-term debt (4)	\$ 1,337	\$ 1,463	\$ 1,264	\$ 1,359	\$ 1,796	\$ 359
Equity (deficit)	\$ 927	\$ 739	\$ 600	\$ 529	\$ 1,043	\$ (1,589)
<b>Other Data from Continuing Operations:</b>						
Working capital (5)	\$ 373	\$ 388	\$ 476	\$ 307	\$ 466	\$ (532)
Interest expense (6)	\$ 101	\$ 139	\$ 121	\$ 140	\$ 21	\$ 134
Income tax expense (7)	\$ 30	\$ 31	\$ 17	\$ 15	\$ 214	\$ 14
Depreciation and amortization	\$ 125	\$ 117	\$ 107	\$ 89	\$ 11	\$ 58
Capital expenditures	\$ 105	\$ 66	\$ 44	\$ 82	\$ 15	\$ 99
Employees	3,400	3,300	3,400	3,700	3,700	3,700



**Table of Contents**

- (1) Solutia's emergence from bankruptcy resulted in its becoming a new reporting entity on March 1, 2008, which has a new capital structure, a new basis in the identifiable assets and liabilities and no retained earnings or accumulated losses. Accordingly, the financial data on or after March 1, 2008 ( Successor ) is not comparable to the financial data prior to this date ( Predecessor ).
- (2) Operating income includes net (gains) charges that affect comparability of (\$20) million in 2011, \$26 million in 2010, \$32 million in 2009, \$102 million in the ten months ended December 31, 2008, (\$2) million in the two months ended February 29, 2008 and \$41 million in 2007.
- (3) Income (loss) from continuing operations includes net (gains)/charges that affect comparability of (\$19) million in 2011, or (\$0.16) per share in 2011; \$101 million, or \$0.84 per share in 2010; \$67 million, or \$0.63 per share in 2009; \$79 million, or \$1.06 per share in the ten months ended December 31, 2008; (\$1,233) million, or (\$11.80) per share in the two months ended February 29, 2008; \$326 million, or \$3.12 per share in 2007; and \$4 million, or \$0.04 per share in 2006.
- (4) As of December 31, 2007, long-term debt excludes \$659 million of debt classified as subject to compromise in accordance with ASC 852 *Reorganizations*, as a result of Solutia's Chapter 11 bankruptcy filing in 2003.
- (5) Working capital is defined as total current assets less total current liabilities.
- (6) Interest expense includes the recognition of interest on allowed secured claims as approved by the Bankruptcy Court of \$8 million in 2007. In addition, interest expense in all periods is affected by interest expense allocated to discontinued operations and in all periods prior to Solutia's emergence from bankruptcy for unrecorded contractual interest expense on unsecured debt subject to compromise.
- (7) Income tax expense includes an increase (decrease) in valuation allowances of \$(39) million in 2011, \$19 million in 2010, \$20 million in 2009, \$2 million in the ten months ended December 31, 2008, \$(252) million in the two months ended February 29, 2008 and \$82 million in 2007.

**Unaudited Summary Pro Forma Condensed Combined Financial Information**

The following table presents unaudited summary pro forma combined financial information about Eastman's consolidated balance sheet and statements of operations, after giving effect to the merger. The information under Summary Pro Forma Condensed Combined Earnings Information in the table below gives effect to the merger as if it had been completed on January 1, 2011. The information under Summary Pro Forma Condensed Combined Financial Position Information in the table below assumes the merger had been completed on December 31, 2011. This unaudited summary pro forma condensed combined financial information was prepared using the acquisition method of accounting with Eastman considered the acquirer of Solutia. Accordingly, the merger consideration has been allocated to assets and liabilities of Solutia based upon their estimated fair values as of the date of completion of the merger. Any amount of the merger consideration that is in excess of the estimated fair values of assets acquired and liabilities assumed in the merger will be recorded as goodwill in Eastman's statement of financial position after the completion of the merger.

The unaudited summary pro forma condensed combined financial information has been derived from and should be read in conjunction with the more detailed unaudited pro forma condensed combined financial statements (the Statements ) appearing elsewhere in this proxy statement/prospectus and the accompanying notes to the Statements. In addition, the Statements were based on and should be read in conjunction with the historical consolidated financial statements and related notes of each of Eastman and Solutia for the applicable periods, which have been incorporated in this proxy statement/prospectus by reference. See Where You Can Find More Information beginning on page 167 and Unaudited Pro Forma Condensed Combined Financial Information beginning on page 36.

The unaudited summary pro forma condensed combined financial information is being provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of Eastman would have been had the merger occurred on the dates assumed, nor are they necessarily indicative of Eastman's future consolidated results of operations or consolidated financial position. The unaudited summary pro forma condensed combined financial information is based upon currently available information and estimates and assumptions that Eastman management believes are reasonable as of the date hereof. Any of the factors underlying these estimates and assumptions may change or prove to be

**Table of Contents**

materially different, and the estimates and assumptions may not be representative of facts existing at the closing date of the merger. The following does not include any adjustment for Eastman's change in accounting for pension and other postretirement benefit ( OPEB ) plans as discussed in footnote 5 to the unaudited pro forma condensed combined financial statements.

**Summary Pro Forma Condensed Combined Earnings Information:**

(Dollars in millions, except per share amounts)	<b>Year Ended December 31, 2011</b>
Sales	\$ 9,275
Operating earnings	1,369
Earnings from continuing operations before income taxes	1,198
Earnings from continuing operations	\$ 828
<b>Basic earnings per share</b>	
Earnings from continuing operations before nonrecurring items(1)	\$ 5.37
<b>Diluted earnings per share</b>	
Earnings from continuing operations before nonrecurring items(1)	\$ 5.25

**Summary Pro Forma Condensed Combined Financial Position Information:**

(Dollars in millions)	<b>As of December 31, 2011</b>
Total assets	\$ 11,941
Long-term borrowings	4,825
Total stockholders' equity	2,589

(1) For a discussion of such nonrecurring items, see Note 4 of the notes to the accompanying Unaudited Pro Forma Condensed Combined Financial Statements.

**Comparative Per Share Data**

The following table shows, for the year ended December 31, 2011, historical and pro forma equivalent per share data for Solutia common stock and historical and pro forma combined per share data for Eastman common stock. The information in the table is derived from each of Solutia's and Eastman's respective historical consolidated financial statements incorporated by reference herein, as well as the unaudited pro forma condensed combined financial information included elsewhere herein.

The pro forma equivalent information shows the effect of the merger from the perspective of an owner of Solutia common stock. The information was computed by multiplying the pro forma combined income from continuing operations per share and Eastman's historical cash dividends declared per share for the year ended December 31, 2011 and pro forma combined book value per share as of December 31, 2011 by the exchange ratio of the stock portion of the merger consideration of 0.12 shares of Eastman common stock for each share of Solutia common stock. These computations exclude any potential benefit to Solutia stockholders from receiving any amount of cash as a component of the merger consideration.

The pro forma combined data below is presented for illustrative purposes only. The pro forma adjustments to the statement of earnings data are based on the assumption that the merger was completed on January 1, 2011, and the pro forma adjustments to the statement of financial position data are based on the assumption that the merger was completed on December 31, 2011.

Either company's actual historical financial condition and results of operations may have been different had the companies always been combined. You should not rely on this information as being indicative of the historical financial condition and results of operations that would have actually been achieved or of the future results of Eastman after the completion of the merger.



**Table of Contents**

You should read the information below together with the historical financial statements and related notes of each of Eastman and Solutia, which are incorporated by reference in this proxy statement/prospectus, and with the information under the heading Unaudited Pro Forma Condensed Combined Financial Information beginning on page 36.

	Solutia Common Stock		Eastman Common Stock	
	Historical	Pro Forma Equivalent	Historical	Pro Forma Combined
<b>Income from Continuing Operations Per Share</b>				
Basic				
Year Ended December 31, 2011	\$ 2.19	\$ 0.64	\$ 4.70	\$ 5.37(1)
Diluted				
Year Ended December 31, 2011	\$ 2.16	\$ 0.63	\$ 4.59	\$ 5.25(1)
<b>Cash Dividends Declared Per Share</b>				
Year Ended December 31, 2011	\$ 0.0375	\$ 0.12	\$ 0.990	\$ 0.990
<b>Book Value Per Share</b>				
December 31, 2011	\$ 7.53	\$ 2.05	\$ 13.66	\$ 17.10

- (1) For a discussion of certain nonrecurring items excluded from pro forma combined income from continuing operations per share, see Note 4 of the notes to the accompanying Unaudited Pro Forma Condensed Consolidated Financial Statements.

**Comparative Market Value of Common Stock**

Eastman common stock and Solutia common stock are listed for trading on the New York Stock Exchange under the symbols EMN and SOA, respectively. The following table shows the closing prices per share of Eastman common stock and Solutia common stock as reported on January 26, 2012, the final trading day prior to the public announcement of the merger, and on \_\_\_\_\_, 2012, the latest practicable date prior to the date of this proxy statement/prospectus. This table also shows the implied value of the merger consideration for each share of Solutia common stock, which was calculated by multiplying the closing price of Eastman common stock on the relevant date by the exchange ratio of the stock portion of the merger consideration of 0.12 shares of Eastman common stock for each share of Solutia common stock and adding the per share cash consideration of \$22.00, without interest. These computations do not include any potential benefit to Solutia stockholders from receiving any amount of cash as a component of merger consideration.

	Closing Price of Eastman Common Stock	Closing Price of Solutia Common Stock	Implied Value of Merger Consideration
As of January 26, 2012	\$ 47.12	\$ 19.51	\$ 27.65
As of _____, 2012	\$	\$	\$

The market price of Eastman common stock and Solutia common stock will fluctuate prior to the Solutia special meeting and before the merger is completed, which will affect the implied value of the merger consideration paid to Solutia stockholders. You should obtain current market quotations for the shares before making any decisions with respect to the merger.



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**Table of Contents**

**RISK FACTORS**

*In addition to the other information included in and incorporated by reference into this proxy statement/prospectus, including the matters addressed under the caption **Cautionary Statement Regarding Forward-Looking Statements** beginning on page 30, you should carefully read and consider the following risk factors in evaluating the proposals to be voted on at the Solutia special meeting and in determining whether to vote for adoption of the merger agreement. If the merger agreement is adopted by Solutia stockholders and all of the other conditions to the completion of the merger are satisfied or waived, and the merger is completed, holders of Solutia common stock will become holders of Eastman common stock and will be subject to the risks and uncertainties of a holder thereof. Please also refer to the additional risk factors of each of Eastman and Solutia identified in the periodic reports and other documents incorporated by reference into this proxy statement/prospectus. See **Where You Can Find More Information** beginning on page 167.*

**Risks Relating to the Merger**

*The parties may be unable to satisfy the conditions to the completion of the merger and the merger may not be completed.*

Completion of the merger is conditioned on, among other things, the adoption of the merger agreement by Solutia stockholders, the expiration or termination of the applicable waiting period under the HSR Act and the clearance of the merger under certain applicable foreign antitrust or competition laws, the absence of any law or regulation that prohibits the completion of the merger, and the approval of the shares of Eastman common stock to be issued in the merger for listing on the New York Stock Exchange. Each party's obligation to close the merger is also subject to the material accuracy of the representations and warranties of the other party in the merger agreement and the compliance in all material respects with covenants of the other party in the merger agreement and the absence of a material adverse effect (as defined in the merger agreement) on the other party.

Although Solutia and Eastman have agreed in the merger agreement to use reasonable best efforts to complete the merger as promptly as practicable, these and other conditions to the completion of the merger may fail to be satisfied. In addition, satisfying the conditions to and completion of the merger may take longer, and could cost more, than Solutia and Eastman expect.

*Failure to complete the merger could negatively affect the stock price and the future business and financial results of Solutia.*

Solutia and Eastman may not receive the necessary stockholder or regulatory approvals or satisfy the other conditions required for the completion of the merger. If the merger is not completed for any reason, Solutia will be subject to several risks, including the following:

Solutia may be required to pay significant transaction costs related to the merger, including under certain circumstances a termination fee of up to \$102 million payable to Eastman, and many of Solutia's costs relating to the merger (such as legal, accounting, and a portion of Solutia's financial advisory fees) are payable by Solutia whether or not the merger is completed;

The current market price of Solutia common stock may reflect a market assumption that the merger will occur, and a failure to complete the merger could result in a decline in the market price of Solutia common stock;

There may be substantial disruption to Solutia's business and a distraction of its management and employees from day-to-day operations, because matters related to the merger (including integration planning) may require substantial commitments of time and resources that could otherwise have been devoted to other opportunities that could have been beneficial; and

Solutia could not realize the benefits expected to result from the merger and Solutia would continue to face the risks that it currently faces as an independent company.



## **Table of Contents**

If the merger is not completed, the risks described above may materialize and materially adversely affect Solutia's business, financial results, financial condition, and stock price.

### ***Solutia is subject to business uncertainties and contractual restrictions while the merger is pending.***

Uncertainty about the effect of the pending merger on Solutia employees and customers may have an adverse effect on Solutia. These uncertainties may impair Solutia's ability to attract, retain, and motivate key personnel until the merger is completed and could cause customers and others that deal with Solutia to defer decisions concerning Solutia, or to seek to change existing business relationships with Solutia. If key employees depart because of uncertainty about their future roles and the potential complexities of integration, Solutia's business, or Eastman's business following the merger, could be harmed.

In addition, the merger agreement restricts Solutia from making acquisitions or dispositions, making capital expenditures in excess of a specified amount, and taking other specified actions without the consent of Eastman until the merger occurs. These restrictions may prevent Solutia from pursuing attractive business opportunities or addressing other developments that may arise prior to the completion of the merger or from executing its business strategies.

### ***The merger agreement limits Solutia's ability to pursue alternatives to the merger and contains provisions that could affect the decisions of a third party considering making an alternative acquisition proposal to the merger.***

The merger agreement prohibits Solutia from soliciting, initiating, or encouraging alternative merger or acquisition proposals from any third party. Under the terms of the merger agreement, Solutia will be required to pay to Eastman a termination fee of up to \$102 million if the merger agreement is terminated under certain circumstances. This termination fee would be payable in certain circumstances involving Solutia accepting a different acquisition proposal or its board of directors recommending a different acquisition proposal to its stockholders prior to their vote. These provisions could affect the decision by a third party to make a competing acquisition proposal, including the structure, pricing, and terms proposed by a third party seeking to acquire or merge with Solutia.

### ***There may be a long delay between the receipt of Solutia stockholder adoption of the merger agreement and the closing of the merger, during which time Solutia will lose the ability to consider and pursue alternative acquisition proposals that might otherwise be superior to the proposal in the merger agreement and more beneficial to Solutia stockholders.***

Following the adoption of the merger agreement by the holders of Solutia common stock, the merger agreement prohibits Solutia from taking any actions to review, consider, or recommend any alternative acquisition proposals, including those that could be superior to the proposal in the merger agreement and more beneficial to Solutia stockholders. Given the potentially long delay between stockholder approval and satisfaction of all other conditions precedent to the completion of the merger, including the receipt of all required antitrust clearances, the time during which Solutia could be prevented from reviewing, considering, or recommending such proposals could be significant.

### ***Because the market value of the Eastman common stock that Solutia stockholders will receive in the merger may fluctuate, Solutia stockholders cannot be sure of the market value of the Eastman common stock to be issued upon completion of the merger.***

Solutia stockholders will receive a fixed number of shares of Eastman common stock in the merger as the stock portion of the merger consideration rather than a number of shares with a particular fixed market value. The market values of Eastman common stock and Solutia common stock at the time of the merger may vary significantly from their respective values on the date the merger agreement was executed, the date of this proxy statement/prospectus, or the date on which Solutia stockholders vote on the adoption of the merger agreement. Because this exchange ratio of the stock portion of the merger consideration will not be adjusted to reflect any

## **Table of Contents**

changes in the market value of Eastman common stock or Solutia common stock, the market value of Eastman common stock issued in the merger and Solutia common stock surrendered in the merger may be higher or lower than the values of such shares on such earlier dates. Stock price changes may result from a variety of factors, including changes in businesses and operations, and other factors that are beyond the control of Eastman and Solutia, including changes in business prospects, regulatory considerations, and general and industry specific market and economic conditions.

***Officers and directors of Solutia have certain interests in the merger that are different from, or in addition to, the interests of Solutia stockholders. These interests may be perceived to have affected their decision to support or approve the merger.***

Solutia's executive officers and directors have economic interests in the merger that may be different from, or in addition to, those of Solutia stockholders generally. These interests include, but are not limited to: the treatment of equity awards held by Solutia's executive officers and directors (including the acceleration and payment with respect to unvested stock options, restricted stock, restricted stock units and performance share awards), the potential acceleration of the prorated annual incentives to Solutia's executive officers at the target level for the year in which the merger is completed, the potential acceleration of supplemental retirement benefits, the potential acceleration with respect to the prorated vesting for Solutia's named executive officers and full vesting for all of Solutia's other executive officers of the phantom stock units granted for the year in which the merger is completed, the potential payment of severance and other benefits to Solutia's executive officers, the potential payment of tax gross-ups to certain of Solutia's executive officers, and the continuation of certain rights to indemnification and of coverage under directors' and officers' liability insurance policies following completion of the merger. The Solutia board of directors was aware of and considered those interests, among other matters, in reaching its decision to approve and adopt the merger agreement and recommend that Solutia stockholders adopt the merger agreement.

***Eastman is required to obtain various U.S. and foreign regulatory consents, approvals and clearances to complete the merger, which consents, approvals and clearances may be subject to Eastman's compliance with certain conditions.***

Under the antitrust or competition laws of the United States, the European Union, China, South Korea, and the Ukraine, Eastman and Solutia cannot complete the merger until they file certain required notifications and report forms with the relevant antitrust or competition governmental entities and, where applicable, receive clearance (including the passage of applicable waiting periods) from such governmental entities to complete the merger. These required consents, approvals, and clearances may not be obtained. In deciding whether to grant antitrust or regulatory clearances, the relevant governmental entities will consider the effect of the merger on competition within their relevant jurisdiction. The terms and conditions of the approvals that are granted may impose requirements, limitations or costs or place restrictions on the conduct of Eastman's business after the completion of the merger. The merger agreement may require Eastman and Solutia to comply with conditions imposed by regulatory entities. Regulators may impose conditions, terms, obligations or restrictions and such conditions, terms, obligations or restrictions may have the effect of delaying completion of the merger, imposing additional material costs on or materially limiting the revenues of Eastman after the completion of the merger, or otherwise reducing the anticipated benefits to Eastman of the merger. In addition, such conditions, terms, obligations or restrictions may result in the delay or abandonment of the merger.

In the United States, completion of the merger requires that the parties file notification and report forms with the FTC and DOJ and observe specified waiting period requirements before completing the merger, and may require approvals by other governmental agencies as well. Eastman and Solutia have filed the required notifications with the Antitrust Division of the DOJ and the FTC. The waiting period under the HSR Act expired on March 28, 2012.

Outside of the United States, the parties have filed notification and reports forms in the European Union, China, South Korea, and the Ukraine. South Korea and China cleared the merger on March 23, 2012 and April 16, 2012, respectively. The parties expect the waiting period for the Ukraine will expire on April 26, 2012. On April 16, 2012, the European Commission accepted the parties' filing as complete, triggering a 25-business day Phase One waiting period.

## **Table of Contents**

### ***The merger may be completed on different terms from those contained in the merger agreement.***

Prior to the completion of the merger, the parties may, under certain circumstances, amend or alter the terms of the merger agreement, including with respect to, among other things, the merger consideration to be received by Solutia stockholders, assets to be acquired, or any covenants or agreements with respect to the parties' respective operations during the pendency thereof (certain of these changes, including those with respect to the merger consideration to be received by Solutia stockholders, may be made only prior to the requisite stockholder approval). Any such amendments or alterations may have negative consequences to Solutia stockholders including, among other things, reducing the cash available for Eastman's or Solutia's operations or to meet respective obligations or restricting or limiting assets or operations of either of Eastman or Solutia, any of which could also have a material adverse effect on such company's business, financial condition, and results of operations.

### ***The unaudited pro forma financial information in this proxy statement/prospectus may not necessarily reflect Eastman's operating results and financial condition following the merger.***

The unaudited pro forma financial information included in this proxy statement/prospectus is derived from Eastman's and Solutia's separate historical consolidated financial statements. The preparation of this pro forma information is based upon available information and certain assumptions and estimates that Eastman and Solutia currently believe are reasonable, including certain assumptions with respect to the price of Eastman common stock, the value of the assets and liabilities of Solutia being acquired, and the expected amount of and expected interest rates on Eastman's outstanding debt at the closing of the merger. These assumptions and estimates may not prove to be accurate, and this pro forma financial information does not necessarily reflect what Eastman's results of operations and financial position would have been had the merger been completed if these assumptions were accurate, or occurred during the period presented, or what Eastman's results of operations or financial position will be in the future.

### ***Putative shareholder class action complaints have been filed against Eastman, Solutia and Solutia's board of directors, as well as against Merger Sub, challenging the proposed merger, and an unfavorable judgment or ruling in these lawsuits could prevent or delay the completion of the merger and result in substantial costs.***

Since the announcement on January 27, 2012 of the signing of the merger agreement, Solutia, Eastman, Merger Sub and the members of the Solutia board of directors have been named as defendants in several putative class action complaints challenging the proposed merger. The lawsuits generally allege, among other things, that the proposed merger fails to properly value Solutia, that the individual defendants breached their fiduciary duties in approving the merger agreement and that those breaches were aided and abetted by Eastman. The lawsuits seek, among other things, injunctive relief to enjoin the defendants from completing the merger on the agreed-upon terms, monetary relief and attorneys' fees and costs.

One of the conditions to the closing of the merger is that no injunction preventing the completion of the merger and the other transactions contemplated by the merger agreement shall be in effect and that no statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any governmental entity that prohibits or makes illegal the completion of the merger. Consequently, if the plaintiffs secure injunctive or other relief prohibiting, delaying, or otherwise adversely affecting the defendants' ability to complete the merger, then such injunctive or other relief may prevent the merger from becoming effective within the expected time frame or at all. If completion of the merger is prevented or delayed, it could result in substantial costs to Solutia and Eastman. In addition, Solutia and Eastman could incur significant costs in connection with the lawsuits, including costs associated with the indemnification of Solutia's directors and officers.

## **Table of Contents**

### **Risks Relating to the Business and Operations of Eastman After the Merger**

*Eastman may not realize the expected benefits of the merger because of integration difficulties and other challenges.*

The success of the merger will depend, in part, on Eastman's ability to realize the anticipated revenue, cost, tax, and other synergies from integrating Solutia's business with its existing business. The integration process may be complex, costly, and time-consuming. The difficulties of integrating the operations of Solutia's business could include, among others:

failure to implement Eastman's business plan for the combined business;

unanticipated issues in integrating logistics, information, communications, and other systems;

lost sales and customers as a result of certain customers of either of the two companies deciding not to do business with Eastman after the merger;

loss of key Solutia employees with knowledge of Solutia's historical business and operations;

unanticipated changes in applicable laws and regulations;

negative impacts on Eastman's internal control over financial reporting; and

other unanticipated issues, expenses, or liabilities that could impact, among other things, Eastman's ability to realize any expected synergies on a timely basis, or at all.

Eastman may not accomplish the integration of Solutia's business smoothly, successfully, or within the anticipated costs or time frame. The diversion of the attention of management from Eastman's current operations to the integration effort and any difficulties encountered in combining operations could prevent Eastman from realizing the full benefits anticipated to result from the merger and could adversely affect its business. In addition, the integration efforts could divert the focus and resources of the management of Eastman and Solutia from other strategic opportunities and operational matters during the integration process.

*Any delay in completing the merger may substantially reduce the benefits that Eastman expects to obtain from the merger.*

In addition to obtaining the required governmental clearances and approvals, the merger is subject to a number of other conditions beyond the control of Eastman and Solutia that may prevent, delay, or otherwise materially adversely affect its completion. Eastman and Solutia cannot predict whether or when the conditions required to complete the merger will be satisfied. The requirements for obtaining the required clearances and approvals could delay the effective time of the merger for a significant period of time or prevent it from occurring. Any delay in completing the merger may materially adversely affect the synergies and other benefits that Eastman expects to achieve if the merger and the integration of the companies' respective businesses are completed within the expected timeframe.

*Eastman will incur substantial additional indebtedness in connection with the merger.*

In connection with entering into the merger agreement, on February 29, 2012, Eastman entered into a \$1.2 billion five-year Term Loan Agreement and a \$2.3 billion Bridge Loan Agreement with the lenders and other parties to those agreements. Eastman intends to use this financing from the Term Loan Agreement and, in certain circumstances, the Bridge Loan Agreement, to pay, in part, the cash portion of the merger consideration and a portion of the fees and expenses related to the merger, which may include the repayment of certain outstanding borrowings of Solutia. In addition, Eastman expects to offer new debt securities prior to or following the completion of the merger. The commitments of the lenders under the Bridge Loan Agreement will be reduced on a dollar-for-dollar basis by any proceeds Eastman receives

from any offering of debt securities it may undertake.

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## **Table of Contents**

As a result, Eastman will incur additional indebtedness that will be substantially greater than its indebtedness prior to the merger. This new indebtedness will increase the risks Eastman now faces with its current indebtedness.

Each of the Term Loan Agreement and the Bridge Loan Agreement contains certain customary representations, warranties and covenants. Each of the Term Loan Agreement and the Bridge Loan Agreement also contains a financial covenant that will require Eastman to comply with a leverage ratio specified in the applicable agreement. These operating restrictions and financial covenants may limit Eastman's ability to finance future operations or capital needs or engage in other transactions that may be in the best interests of Eastman stockholders in the future.

***As a result of the merger, Eastman's goodwill, indefinite-lived intangible assets, and other intangible assets in its statement of financial position will increase. If its goodwill, indefinite-lived intangible assets, or other intangible assets become impaired in the future, Eastman would be required to record a significant, non-cash charge to earnings, which would also reduce its stockholders' equity.***

Under GAAP, goodwill and indefinite-lived intangible assets are reviewed for impairment on an annual basis (or more frequently if events or circumstances indicate that their carrying value may not be recoverable) and other intangible assets if events or circumstances indicate that their carrying value may not be recoverable. If Eastman's goodwill, indefinite-lived intangible assets, or other intangible assets are determined to be impaired in the future, Eastman will be required to record a significant, non-cash charge to earnings during the period in which the impairment is determined.

***The price of Eastman common stock may be affected by factors different from those affecting the price of Solutia common stock.***

The businesses of Eastman and Solutia differ in many respects, including product offerings and relationships with customers and suppliers, and, accordingly, the results of operations of Eastman after the merger and the market price of shares of Eastman common stock after the merger may be affected by factors different from those currently affecting the independent results of operations of Solutia. For a discussion of the businesses of Eastman and Solutia and of certain factors to consider in connection with their respective businesses, see the documents incorporated by reference into this proxy statement/prospectus and referred to under the section "Where You Can Find More Information" beginning on page 167.

***Solutia stockholders who become stockholders of Eastman will have their rights as stockholders governed by Eastman's corporate governance documents.***

As a result of the completion of the merger, holders of Solutia common stock, restricted shares of Solutia common stock and certain performance share awards will become holders of Eastman common stock, and holders of warrants to acquire Solutia common stock will become holders of warrants to acquire the merger consideration, which includes Eastman common stock, and their rights as Eastman stockholders will be governed by Eastman's corporate governance documents, including the Eastman Charter and the Eastman Bylaws, and the DGCL. As a result, there will be material differences between the current rights of Solutia stockholders and the rights they can expect to have as Eastman stockholders. Please see "Comparison of Rights of Holders of Eastman Common Stock and Solutia Common Stock" beginning on page 154.

***Solutia stockholders will have a reduced ownership and voting interest in Eastman after the merger and, as a result, will be able to exert less influence over management.***

Following the merger, each Solutia stockholder will become a stockholder of Eastman with a percentage ownership of Eastman after the merger that is much smaller than the stockholder's percentage ownership of Solutia. It is expected that the former stockholders of Solutia as a group will own approximately 10% of the outstanding shares of Eastman common stock immediately after the completion of the merger. Because of this, Solutia stockholders will have substantially less influence on the management and policies of Eastman after the merger than they now have with respect to the management and policies of Solutia.



**Table of Contents**

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

A number of the statements made or incorporated by reference in this proxy statement/prospectus are forward-looking statements within the meaning of the Private Securities Litigation Reform Act, Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements are all statements, other than statements of historical fact. In some cases, forward-looking statements can be identified by terminology such as anticipates, believes, estimates, expects, intends, may, plans, projects, will, would, and similar expressions of the negative of these terms. These statements include statements regarding the intent, belief or current expectations of each of Eastman and Solutia and their respective subsidiaries, their directors and their officers with respect to, among other things, future events, including the merger, the respective financial results and financial trends expected to impact each of Eastman and Solutia prior to the completion of the merger, or if the merger is not completed, and expected to impact Eastman thereafter, assuming the merger is completed.

Forward-looking statements are based upon certain underlying assumptions, including any assumptions mentioned with the specific statements, as of the date such statements were made. Such assumptions are in turn based upon internal estimates and analyses of market conditions and trends, management plans and strategies, economic conditions and other factors. Forward-looking statements and the assumptions underlying them are necessarily subject to risks and uncertainties inherent in projecting future conditions and results. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, those set forth under Risk Factors beginning on page 24, and those set forth under Risk Factors or any similar heading in the documents incorporated by reference herein.

Eastman and Solutia caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this proxy statement/prospectus in the case of forward-looking statements contained in this proxy statement/prospectus, or the dates of the documents incorporated by reference in this proxy statement/prospectus in the case of forward-looking statements made in those incorporated documents. Except as may be required by law, neither Eastman nor Solutia has any obligation to update or alter these forward-looking statements, whether as a result of new information, future events or otherwise.

Eastman and Solutia expressly qualify in their entirety all forward-looking statements attributable to Eastman or Solutia or any person acting on either of their respective behalf by the cautionary statements contained or referred to in this section.

**Table of Contents**

**INFORMATION ABOUT EASTMAN**

Eastman Chemical Company is a global chemical company which manufactures and sells a broad portfolio of chemicals, plastics, and fibers. Eastman began business in 1920 for the purpose of producing chemicals for Eastman Kodak Company's photographic business and became a public company, incorporated in Delaware, on December 31, 1993. Eastman has 19 manufacturing sites in 10 countries and equity interests in joint ventures that supply chemicals, plastics, and fibers products to customers throughout the world. Eastman's headquarters and largest manufacturing site are located in Kingsport, Tennessee.

Additional information about Eastman is included in the documents incorporated by reference into this proxy statement/prospectus. See [Where You Can Find More Information](#) beginning on page 167.

**Table of Contents**

**INFORMATION ABOUT SOLUTIA**

Solutia Inc. is a global manufacturer of performance materials and specialty chemicals used in a broad range of consumer and industrial applications including interlayers and aftermarket film for automotive and architectural glass; chemicals that promote safety and durability in tires; and encapsulants, coatings and specialty chemicals used in a variety of electronic, industrial and energy solutions. To serve its customers, Solutia utilizes a global infrastructure consisting of 26 manufacturing facilities, six technical centers and approximately 30 sales offices globally, collectively staffed by approximately 3,400 employees located in the United States, Europe, Latin America and Asia Pacific.

Additional information about Solutia is included in the documents incorporated by reference into this proxy statement/prospectus. See [Where You Can Find More Information](#) beginning on page 167.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF EASTMAN**

The following table presents selected historical consolidated financial data for Eastman as of and for the fiscal years ended December 31, 2011, 2010, 2009, 2008 and 2007. The information should be read in conjunction with Eastman's consolidated financial statements and the related notes thereto and the information under the heading "Management's Discussion and Analysis of Financial Conditions and Results of Operations" set forth in its annual report on Form 10-K for the fiscal year ended December 31, 2011, which is incorporated by reference into this proxy statement/prospectus. The information as of December 31, 2009, 2008 and 2007 and for the fiscal years ended December 31, 2008 and 2007 should be read in conjunction with Eastman's consolidated financial statements and related notes thereto, which have previously been filed with, and are available from, the SEC but which are not incorporated by reference into this proxy statement/prospectus.

(Dollars in millions, except per share amounts)

**Operating Data**

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Sales	\$ 7,178	\$ 5,842	\$ 4,396	\$ 5,936	\$ 5,513
Operating earnings (1)	1,021	862	345	551	683
Earnings from continuing operations (2)	657	425	154	345	434
Earnings (loss) from discontinued operations (3)	8	13	(18)	(17)	(123)
Gain (loss) from disposal of discontinued operations (3)	31			18	(11)
Net earnings	\$ 696	\$ 438	\$ 136	\$ 346	\$ 300
<b>Basic earnings per share</b>					
Earnings from continuing operations	\$ 4.70	\$ 2.95	\$ 1.06	\$ 2.29	\$ 2.62
Earnings (loss) from discontinued operations (3)	0.28	0.09	(0.12)	0.01	(0.81)
Net earnings	\$ 4.98	\$ 3.04	\$ 0.94	\$ 2.30	\$ 1.81
<b>Diluted earnings per share</b>					
Earnings from continuing operations	\$ 4.59	\$ 2.88	\$ 1.05	\$ 2.27	\$ 2.59
Earnings (loss) from discontinued operations (3)	0.27	0.08	(0.12)		(0.80)
Net earnings	\$ 4.86	\$ 2.96	\$ 0.93	\$ 2.27	\$ 1.79

**Statement of Financial Position Data**

Current assets	\$ 2,302	\$ 2,047	\$ 1,735	\$ 1,423	\$ 2,293
Net properties	3,107	3,219	3,110	3,198	2,846
Total assets	6,184	5,986	5,515	5,281	6,009
Current liabilities	1,114	1,070	800	832	1,122
Long-term borrowings	1,445	1,598	1,604	1,442	1,535
Total liabilities	4,314	4,359	4,002	3,728	3,927
Total stockholders' equity	1,870	1,627	1,513	1,553	2,082
Dividends declared per share	0.990	0.895	0.880	0.880	0.880

- (1) Operating earnings for 2009 included an asset impairment charge of \$179 million primarily for a discontinued Beaumont, Texas, industrial gasification project.
- (2) Earnings from continuing operations for 2010 included a charge of \$115 million before tax for the early repayment of debt.
- (3) In first quarter 2011, Eastman completed the sale of the PET business, related assets at the Columbia, South Carolina site, and technology of its Performance Polymers segment. Performance Polymers segment operating results are presented as discontinued operations for all periods presented and are therefore not included in results from continuing operations in accordance with GAAP.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF SOLUTIA**

The following table presents selected historical consolidated financial data for Solutia as of and for the twelve months ended December 31, 2011, 2010 and 2009, as of and for the ten months ended December 31, 2008, as of and for the two months ended February 29, 2008 and as of and for the twelve months ended December 31, 2007. The information should be read in conjunction with Solutia's consolidated financial statements and the related notes thereto and the information under the heading "Management's Discussion and Analysis of Financial Conditions and Results of Operations" set forth in its annual report on Form 10-K for the fiscal year ended December 31, 2011, which is incorporated by reference into this proxy statement/prospectus. The information as of December 31, 2009 and 2008, February 29, 2008 and December 31, 2007 and for the ten months ended December 31, 2008, the two months ended February 29, 2008 and the twelve months ended December 31, 2007 should be read in conjunction with Solutia's consolidated financial statements and related notes thereto, which have previously been filed with, and are available from, the SEC but which are not incorporated by reference into this proxy statement/prospectus.

(Dollars and shares in millions, except per share amounts)	Successor (1)			Ten	Predecessor (1)	
	Twelve Months Ended December 31,			Months	Two	Twelve
	2011	2010	2009	Ended	Months	Months
	2011	2010	2009	December 31,	Ended	Ended
	2011	2010	2009	2008	February 29,	December 31,
	2011	2010	2009	2008	2008	2007
Net sales	\$ 2,097	\$ 1,950	\$ 1,618	\$ 1,705	\$ 321	\$ 1,612
Gross profit	\$ 634	\$ 608	\$ 477	\$ 364	\$ 92	\$ 372
As percent of net sales	30%	31%	29%	21%	29%	23%
Operating income (2)	\$ 404	\$ 331	\$ 242	\$ 118	\$ 48	\$ 129
As percent of net sales	19%	17%	15%	7%	15%	8%
Income (loss) from continuing operations before taxes	\$ 297	\$ 122	\$ 83	\$ 1	\$ 1,463	\$ (263)
Income (loss) from continuing operations (3)	\$ 267	\$ 91	\$ 66	\$ (14)	\$ 1,249	\$ (277)
Income (loss) from discontinued operations, net of tax	\$	\$ (9)	\$ (175)	\$ (649)	\$ 205	\$ 72
Net income attributable to noncontrolling interest	\$ 5	\$ 4	\$ 4	\$ 5	\$	\$ 3
Net income (loss) attributable to Solutia	\$ 262	\$ 78	\$ (113)	\$ (668)	\$ 1,454	\$ (208)
<b>Per Share Data:</b>						
Basic earnings (loss) per share from continuing operations attributable to Solutia (3)	\$ 2.19	\$ 0.73	\$ 0.58	\$ (0.25)	\$ 11.95	\$ (2.68)
Basic weighted average shares outstanding	119.8	118.9	106.5	74.7	104.5	104.5
Diluted earnings (loss) per share from continuing operations attributable to Solutia (3)	\$ 2.16	\$ 0.73	\$ 0.58	\$ (0.25)	\$ 11.95	\$ (2.68)
Diluted weighted average shares outstanding	121.3	120.0	106.7	74.7	104.5	104.5
Dividends declared per share	\$ 0.0375	\$	\$	\$	\$	\$
<b>Financial Position - Continuing Operations:</b>						
Total assets	\$ 3,525	\$ 3,532	\$ 3,236	\$ 3,216	\$ 3,629	\$ 1,802
Liabilities not subject to compromise	\$ 2,573	\$ 2,758	\$ 2,604	\$ 2,895	\$ 3,306	\$ 2,005
Liabilities subject to compromise	\$	\$	\$	\$	\$	\$ 1,922
Long-term debt (4)	\$ 1,337	\$ 1,463	\$ 1,264	\$ 1,359	\$ 1,796	\$ 359
Equity (deficit)	\$ 927	\$ 739	\$ 600	\$ 529	\$ 1,043	\$ (1,589)
<b>Other Data from Continuing Operations:</b>						
Working capital (5)	\$ 373	\$ 388	\$ 476	\$ 307	\$ 466	\$ (532)
Interest expense (6)	\$ 101	\$ 139	\$ 121	\$ 140	\$ 21	\$ 134
Income tax expense (7)	\$ 30	\$ 31	\$ 17	\$ 15	\$ 214	\$ 14
Depreciation and amortization	\$ 125	\$ 117	\$ 107	\$ 89	\$ 11	\$ 58
Capital expenditures	\$ 105	\$ 66	\$ 44	\$ 82	\$ 15	\$ 99
Employees	3,400	3,300	3,400	3,700	3,700	3,700

**Table of Contents**

- (1) Solutia's emergence from bankruptcy resulted in its becoming a new reporting entity on March 1, 2008, which has a new capital structure, a new basis in the identifiable assets and liabilities and no retained earnings or accumulated losses. Accordingly, the financial data on or after March 1, 2008 ( "Successor" ) is not comparable to the financial data prior to this date ( "Predecessor" ).
- (2) Operating income includes net (gains)/charges that affect comparability of (\$20) million in 2011, \$26 million in 2010, \$32 million in 2009, \$102 million in the ten months ended December 31, 2008, (\$2) million in the two months ended February 29, 2008 and \$41 million in 2007.
- (3) Income (loss) from continuing operations includes net (gains)/charges that affect comparability of (\$19) million in 2011, or (\$0.16) per share in 2011; \$101 million, or \$0.84 per share in 2010; \$67 million, or \$0.63 per share in 2009; \$79 million, or \$1.06 per share in the ten months ended December 31, 2008; (\$1,233) million, or (\$11.80) per share in the two months ended February 29, 2008; \$326 million, or \$3.12 per share in 2007; and \$4 million, or \$0.04 per share in 2006.
- (4) As of December 31, 2007, long-term debt excludes \$659 million of debt classified as subject to compromise in accordance with ASC 852 *Reorganizations*, as a result of Solutia's Chapter 11 bankruptcy filing in 2003.
- (5) Working capital is defined as total current assets less total current liabilities.
- (6) Interest expense includes the recognition of interest on allowed secured claims as approved by the Bankruptcy Court of \$8 million in 2007. In addition, interest expense in all periods is affected by interest expense allocated to discontinued operations and in all periods prior to Solutia's emergence from bankruptcy for unrecorded contractual interest expense on unsecured debt subject to compromise.
- (7) Income tax expense includes an increase (decrease) in valuation allowances of \$(39) million in 2011, \$19 million in 2010, \$20 million in 2009, \$2 million in the ten months ended December 31, 2008, \$(252) million in the two months ended February 29, 2008 and \$82 million in 2007.

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**Table of Contents**

**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The accompanying Unaudited Pro Forma Condensed Combined Statement of Financial Position (the Pro Forma Balance Sheet ) as of December 31, 2011 combines the historical consolidated statements of financial position of Eastman and Solutia, giving effect to the merger as if it had been completed on December 31, 2011. The accompanying Unaudited Pro Forma Condensed Combined Statement of Earnings (the Pro Forma Income Statement ) for the year ended December 31, 2011 combines the historical consolidated statements of earnings of Eastman and Solutia, giving effect to the merger as if it had been completed on January 1, 2011.

The accompanying unaudited pro forma condensed combined financial statements (the Statements ) and related notes were prepared using the acquisition method of accounting with Eastman considered the acquirer of Solutia. Accordingly, the merger consideration to be paid in the merger has been allocated to assets and liabilities of Solutia based upon their estimated fair values as of the date of completion of the merger. Any amount of the merger consideration that is in excess of the estimated fair values of assets acquired and liabilities assumed will be recorded as goodwill in Eastman's statement of financial position after the completion of the merger. As of the date of this proxy statement/prospectus, Eastman has not completed the detailed valuation work necessary to arrive at the required estimates of the fair value of the Solutia assets to be acquired and the liabilities to be assumed and the related allocation of purchase price, nor has it identified all adjustments necessary to conform Solutia's accounting policies to Eastman's accounting policies. A final determination of the fair value of Solutia's assets and liabilities will be based on the actual net tangible and intangible assets and liabilities of Solutia that exist as of the date of completion of the merger and, therefore, cannot be made prior to that date. Additionally, a portion of the merger consideration to be paid by Eastman to complete the merger will be determined based on the trading price of Eastman common stock at the time of the completion of the merger. Accordingly, the accompanying unaudited pro forma purchase price allocation is preliminary and is subject to further adjustments as additional information becomes available and as additional analyses are performed. The preliminary unaudited pro forma purchase price allocation has been made solely for the purpose of preparing the accompanying Statements presented below. The preliminary purchase price allocation was based on reviews of publicly disclosed allocations for other acquisitions in the chemical industry, Eastman's historical experience, data that was available through the public domain and Eastman's due diligence review of Solutia's business. Until the merger is completed, both companies are limited in their ability to share information with the other. Upon completion of the merger, valuation work will be performed. Increases or decreases in the fair value of relevant statement of financial position amounts will result in adjustments to the statement of financial position and/or statements of earnings until the purchase price allocation is finalized. There can be no assurance that such finalization will not result in material changes from the preliminary purchase price allocation included in the accompanying Statements.

Eastman expects to incur significant costs and achieve significant revenue and other synergies in connection with integrating the operations of Eastman and Solutia. The accompanying Statements do not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies, or any revenue, tax, or other synergies expected to result from the merger. In addition, certain nonrecurring items, such as estimated transaction costs directly attributable to the merger, have been excluded from pro forma earnings from continuing operations before nonrecurring items. See Note 4. However, the estimated transaction costs are reflected in the accompanying Pro Forma Balance Sheet as a decrease to both cash and to retained earnings.

The accompanying Statements and related notes are being provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Eastman would have been had the merger occurred on the dates assumed, nor are they necessarily indicative of Eastman's future consolidated results of operations or consolidated financial position. The Statements are based upon currently available information and estimates and assumptions that Eastman management believes are reasonable as of the date hereof. Any of the factors underlying these estimates and assumptions may change or prove to be materially different, and the estimates and assumptions may not be representative of facts existing at the closing date of the merger.

**Table of Contents**

The accompanying Statements have been developed from and should be read in conjunction with the audited consolidated financial statements of each of Eastman and Solutia contained in their respective Annual Reports on Form 10-K for the fiscal year ended December 31, 2011, which have been filed with the Securities and Exchange Commission and are incorporated by reference in this proxy statement/prospectus. The historical consolidated financial statements of Solutia have been adjusted by condensing and disaggregating certain line items in order to conform with Eastman's financial statement presentation.



**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF EARNINGS****For the year ended December 31, 2011**

(Dollars in millions, except per share amounts)	Historical Eastman	Historical Solutia	Pro Forma Adjustments		Pro Forma Combined
Sales	\$ 7,178	\$ 2,097	\$		\$ 9,275
Cost of sales	5,538	1,463	24	(a)	7,025
Gross profit	1,640	634	(24)		2,250
Selling, general and administrative expenses	469	240	32	(a)	741
Research and development expenses	158	24			182
Asset impairments and restructuring charges (gains), net	(8)	19			11
Other operating income		(53)			(53)
Operating earnings	1,021	404	(56)		1,369
Net interest expense	76	101	6	(b)	183
Early debt extinguishment costs		4	(4)	(c)	
Other charges (income), net	(19)	7			(12)
Earnings from continuing operations before nonrecurring items and income taxes	964	292	(58)		1,198
Provision for income taxes from continuing operations	307	30	(16)	(d)	370
			49	(d)	
Earnings from continuing operations before nonrecurring items (1)	\$ 657	\$ 262	\$ (91)		\$ 828
Basic earnings per share					
Earnings from continuing operations before nonrecurring items (1)	\$ 4.70	\$ 2.19			\$ 5.37
Diluted earnings per share					
Earnings from continuing operations before nonrecurring items (1)	\$ 4.59	\$ 2.16			\$ 5.25
Shares (in millions) used for earnings per share calculation					
Basic	139.7	119.8	(105.2)	(e)	154.3
Diluted	143.1	121.3	(106.7)	(e)	157.7

- (1) As indicated in the introductory paragraphs to these unaudited pro forma condensed combined financial statements and Note 4 hereof, certain nonrecurring items directly attributable to the merger have been excluded from pro forma earnings from continuing operations before nonrecurring items.

The accompanying notes are an integral part of these  
unaudited pro forma condensed combined financial statements.

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION**

December 31, 2011

(Dollars in millions, except per share amounts)	Historical Eastman	Historical Solutia	Pro Forma Adjustments		Pro Forma Combined
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 577	\$ 113	\$ (579)	(f)	\$ 111
Short-term time deposits	200		(200)	(f)	
Trade receivables, net	632	236			868
Miscellaneous receivables	72	75	(5)	(g)	142
Inventories	779	335	80	(h)	1,194
Other current assets	42	28	14	(i)	84
<b>Total current assets</b>	<b>2,302</b>	<b>787</b>	<b>(690)</b>		<b>2,399</b>
Properties					
Properties and equipment at cost	8,383	1,205	(116)		9,472
Less: Accumulated depreciation	5,276	260	(260)		5,276
<b>Net properties</b>	<b>3,107</b>	<b>945</b>	<b>144</b>	(j)	<b>4,196</b>
Goodwill	406	783	1,375	(k)	2,564
Identifiable intangible assets	101	916	899	(l)	1,916
Other noncurrent assets	268	95	503	(m)	866
<b>Total assets</b>	<b>\$ 6,184</b>	<b>\$ 3,526</b>	<b>\$ 2,231</b>		<b>\$ 11,941</b>
<b>Liabilities and Stockholders' Equity</b>					
Current liabilities					
Payables and other current liabilities	\$ 961	\$ 421	\$ (13)	(n)	
			(18)	(n)	\$ 1,351
Borrowings due within one year	153		120	(o)	273
<b>Total current liabilities</b>	<b>1,114</b>	<b>421</b>	<b>89</b>		<b>1,624</b>
Long-term borrowings	1,445	1,337	2,043	(o)	4,825
Deferred income tax liabilities	210	190	314	(p)	714
Post-employment obligations	1,411	308			1,719
Other long-term liabilities	134	351	(15)	(q)	470
<b>Total liabilities</b>	<b>4,314</b>	<b>2,607</b>	<b>2,431</b>		<b>9,352</b>
Stockholders' equity					
Common stock (\$0.01 par value per share)	2	1	(1)	(r)	2
Additional paid-in capital	900	1,651	(868)	(r)	1,683
Retained earnings	3,436	(441)	377	(r)	3,372
Accumulated other comprehensive loss	(538)	(279)	279	(r)	(538)
	3,800	932	(213)		4,519
Less: Treasury stock at cost	1,930	13	(13)	(r)	1,930

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Total stockholders' equity	1,870	919	(200)	2,589
Total liabilities and stockholders' equity	\$ 6,184	\$ 3,526	\$ 2,231	\$ 11,941

The accompanying notes are an integral part of these  
unaudited pro forma condensed combined financial statements.

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**Table of Contents**

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**NOTE 1. DESCRIPTION OF THE TRANSACTION**

As previously disclosed, Eastman entered into the merger agreement with Solutia and Merger Sub. Pursuant to the merger agreement, at the closing of the merger, Merger Sub will merge with and into Solutia, with Solutia surviving the merger and becoming an indirect wholly-owned subsidiary of Eastman. At the closing of the Merger, each outstanding share of Solutia common stock (other than shares owned by Solutia as treasury stock, shares owned by Eastman or Merger Sub or shares held by holders properly exercising appraisal rights under the Delaware General Corporation Law) will be cancelled and converted automatically into the right to receive (subject to certain limitations set forth in the merger agreement) (1) \$22.00 in cash, without interest, and (2) 0.12 shares of Eastman common stock.

In addition, at the effective time of the merger: (i) each outstanding option to acquire shares of Solutia common stock issued under any of the Solutia Equity Plans, whether or not then vested or exercised, will be cancelled and terminated in exchange for the right to receive, in cash, the amount by which the cash value of the merger consideration (using the five-day average trading price of Eastman's common stock ending on (and including) the trading day that is two trading days prior to the merger) exceeds such option's exercise price; (ii) restrictions on any restricted shares of Solutia common stock issued under any Solutia Equity Plan will lapse and such shares will be fully vested, and the holder thereof will be entitled to receive, for each such restricted share of Solutia common stock, the merger consideration; (iii) each restricted stock unit issued under any Solutia Equity Plan will be converted into a vested right to receive, in cash, the value of the merger consideration (using the five-day average trading price of Eastman's common stock ending on (and including) the trading day that is two trading days prior to the merger); and (iv) restrictions on any performance share award or performance share unit award granted under any Solutia Equity Plan (a Performance Share) will lapse and such Performance Share will become vested based on no greater than the performance results for the applicable performance period according to the relevant award provisions, and the holder thereof will be entitled to receive, in the case of Performance Shares in the form of restricted stock, the merger consideration and, in the case of Performance Shares in the form of restricted stock units, the cash value of the merger consideration (using the five-day average trading price of Eastman common stock ending on (and including) the trading day that is two trading days prior to the merger).

Also at the effective time of the merger, each warrant issued under the Warrant Agreement, dated February 28, 2008, between Solutia and the warrant agent named therein, whether or not then vested or exercisable, will be converted into a warrant to acquire, upon exercise, on substantially the same terms and conditions as were applicable to such warrant immediately prior to the effective time of the merger, the merger consideration. The warrants were considered when calculating the merger consideration, but were determined to be *de minimis* and therefore not included in these Statements.

Based on the estimated number of shares of Solutia common stock and Eastman common stock outstanding on April 17, 2012, Solutia stockholders will own approximately 10% of the outstanding shares of Eastman common stock upon closing of the merger.

**NOTE 2. BASIS OF PRO FORMA PRESENTATION**

The Statements have been derived from the historical consolidated financial statements of Eastman and Solutia that are incorporated by reference into this proxy statement/prospectus. Certain financial statement line items included in Solutia's historical presentation have been disaggregated or condensed to conform to corresponding financial statement line items included in Eastman's historical presentation. These include: certain components of other operating income, net, and selling and general administrative costs relating to asset impairment or restructuring charges which have been presented within the caption asset impairment and restructuring charges (gains), net; net income attributable to noncontrolling interest, which has been presented within the caption other charges (income), net; current assets of discontinued operations, which have been

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**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

condensed into prepaid expenses and other assets; accrued liabilities and current liabilities of discontinued operations, which have been condensed into payables and other current liabilities; and environmental remediation, non-current liabilities of discontinued operations, and noncontrolling interest which have been condensed into other long-term liabilities. The reclassification of these items had no significant impact on the historical total assets, total liabilities, or stockholders' equity reported by Eastman or Solutia, respectively. The reclassifications also did not significantly impact the historical earnings from continuing operations. Additionally, sales between Eastman and Solutia were considered immaterial for adjustment to sales and earnings from continuing operations before nonrecurring items.

Additionally, as part of its financial due diligence review of Solutia, Eastman performed certain procedures for the purpose of identifying any material differences in significant accounting policies between Eastman and Solutia, and any accounting adjustments that would be required in connection with adopting uniform policies. Procedures performed by Eastman involved a review of Solutia's publicly disclosed summary of significant accounting policies, including those disclosed in Solutia's 2011 Annual Report on Form 10-K and preliminary discussion with Solutia management regarding Solutia's significant accounting policies to identify material adjustments. While Eastman expects to engage in additional discussion with Solutia's management and continue to evaluate the impact of Solutia's accounting policies on its historical results after completion of the merger, based on the completed procedures, Eastman management does not believe there are any differences in the accounting policies of Solutia and Eastman that will result in material adjustments to Eastman's consolidated financial statements as a result of conforming Solutia's accounting policies to those of Eastman.

The merger is reflected in the Statements as an acquisition of Solutia by Eastman using the acquisition method of accounting, in accordance with business combination accounting guidance under accounting principles generally accepted in the United States (GAAP). Under these accounting standards, the total estimated purchase price will be calculated as described in Note 3 to the Statements, and the assets acquired and the liabilities assumed will be measured at estimated fair value. For the purpose of measuring the estimated fair value of the assets acquired and liabilities assumed, Eastman has applied the accounting guidance under GAAP for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The fair value measurements utilize estimates based on key assumptions in connection with the merger, including historical and current market data. The unaudited pro forma adjustments included herein are preliminary and will be revised at the time of the merger as additional information becomes available and as valuation work is performed. The final purchase price allocation will be determined after the completion of the merger, and the final allocations may differ materially from those presented.

**NOTE 3. ESTIMATE OF CONSIDERATION EXPECTED TO BE TRANSFERRED**

Based on the closing price per share of Eastman common stock on the New York Stock Exchange on April 17, 2012 (the most recent practicable date) of \$53.55 and the number of shares of Solutia common stock, options to purchase Solutia common stock, restricted shares of Solutia common stock, Solutia restricted stock units, Solutia performance share awards, and Solutia performance share unit awards outstanding at December 31, 2011, the total merger consideration would have been approximately \$3.5 billion, consisting of \$2.7 billion of cash and 14.6 million shares of Eastman common stock. Changes in the share price of Eastman common stock, or the number of shares of Solutia common stock, restricted shares of Solutia common stock, Solutia restricted stock units, Solutia performance share awards, and Solutia performance share unit awards at the closing of the merger could result in material differences in the merger consideration and, thus, the purchase price and related purchase price allocation in the merger. At the effective time of the merger, each outstanding share of Solutia common stock (other than shares owned by Solutia as treasury stock and shares held by holders properly exercising appraisal rights under the Delaware General Corporation Law) will be cancelled and converted automatically into the right to receive (subject to certain limitations set forth in the merger Agreement) (1) \$22.00 in cash, without interest, and (2) 0.12 shares of Eastman common stock.

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The following is a preliminary estimate of the merger consideration to be paid by Eastman in the merger, including consideration to be paid to holders of options to purchase Solutia common stock, restricted shares of Solutia common stock, Solutia restricted stock units, Solutia performance share awards, and Solutia performance share unit awards pursuant to the provisions above:

(Dollars in millions)	Cash Consideration	Equity Consideration	Total
To holders of Solutia common stock, including restricted shares	\$ 2,680	\$ 783	\$ 3,463
To holders of outstanding Solutia stock incentive-based compensation	38		38
<b>Total consideration</b>	<b>\$ 2,718</b>	<b>\$ 783</b>	<b>\$ 3,501</b>

Also at the effective time of the merger, each warrant issued under the Warrant Agreement, dated February 28, 2008, between Solutia and the warrant agent named therein, whether or not then vested or exercisable, will be converted into a warrant to acquire, upon exercise, on substantially the same terms and conditions as were applicable to such warrant immediately prior to the effective time of the merger, the merger consideration. The warrants were considered when calculating the merger consideration, but were determined to be *de minimis* and therefore not included in these Statements.

Because the Solutia Rights Agreement has been amended by Solutia to provide that such agreement, and the rights issued thereunder, will terminate immediately prior to the effective time of the merger without any consideration for such rights being paid or payable to the holders thereof, no value was attributed to such rights in these Statements.

The estimated value of the merger consideration reflected in these Statements does not purport to represent the actual value of the total merger consideration that will be received by Solutia's stockholders and other equity holders when the merger is completed. In accordance with GAAP, the fair value of equity securities issued as part of the merger consideration will be measured on the closing date of the merger at the then-current market price. This requirement will likely result in a per share value component different from the \$53.55 assumed in these Statements and that difference may be material. For example, an increase or decrease by 10% in the price of Eastman common stock on the closing date of the merger from the price of Eastman common stock assumed in these Statements would increase or decrease the value of the merger consideration by approximately \$80 million, which would be reflected in these Statements as an equivalent increase or decrease to goodwill.

The allocation of the preliminary purchase price to the fair values of assets to be acquired and liabilities to be assumed in the merger includes unaudited pro forma adjustments to reflect the expected fair values of Solutia's assets and liabilities at the completion of the merger. The allocation of the preliminary purchase price is as follows (in millions):

Current assets	\$ 881
Properties	1,089
Goodwill	2,158
Identifiable intangible assets	1,815
Other noncurrent assets	585
<b>Total assets</b>	<b>\$ 6,528</b>
Current liabilities	(421)
Long-term borrowings	(1,443)
Other liabilities and noncontrolling interest	(1,163)
<b>Total liabilities</b>	<b>(3,027)</b>

Estimated purchase price	\$ 3,501
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**Table of Contents**

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The preliminary purchase price allocation was based on reviews of publicly disclosed allocations for other acquisitions in the chemical industry, Eastman's historical experience, other available public information and Eastman's financial due diligence review of Solutia's business. The analysis was performed at an aggregate level and was based on estimates that are reflective of market participant assumptions including the amount, timing, and realization of future cash flows. Eastman utilized the income, market, or cost approach (or a combination thereof) for the preliminary valuation of assets, as appropriate, and utilized valuation inputs in these models and analyses that were based on market participant assumptions. Market participants are considered to be buyers and sellers unrelated to Eastman in the principal or most advantageous market for the asset. Eastman management estimated the fair market value of fixed-rate debt based on observable market prices. For all other liabilities, the carrying value was determined to be a reasonable approximation of fair value based on information available to Eastman's management.

With respect to properties to be acquired in the merger, Solutia has a number of manufacturing and distribution sites and related facilities, owns land and leases sites that include leasehold improvements, and owns machinery and equipment for use in its manufacturing operations. Eastman management believes that it is probable that the fair value of the property, plant and equipment differs from that on Solutia's December 31, 2011 consolidated statement of financial position. In this assessment, Eastman management considered Eastman's experience in recent acquisitions as well as other acquisitions in the chemical industry. Eastman management estimated the fair value adjustment of approximately 15% above current book value considering the valuation of such assets at fair value upon Solutia's emergence from bankruptcy in 2008, the length of time since Solutia's bankruptcy, and Solutia's depreciation policies and practices.

With respect to the intangible assets to be acquired in the merger, Solutia owns the rights to a number of trade names and trademarks that are both business-to-business and business-to-consumer in nature, including Saflex®, Llumar®, and Skydrol®. Certain of these trade names and trademarks are associated with products that Eastman management believes have a leading market share in each of their respective categories. Solutia also owns significant technology related to many of its products protected by a number of existing patents, pending patents, and trade secrets. This intellectual property is of significant importance to Solutia's operations and continued success. In addition to these intangible assets, Solutia has a number of valuable customer relationships in industries such as automotive tires and aviation, many of which were developed over a number of years of providing consistent quality products and services.

With respect to goodwill expected to be recognized in the merger, Eastman management believes that the predominant portion of the goodwill expected to result from the merger relates to Solutia as a going concern and the fair value of expected synergies from combining the Eastman and Solutia businesses. The going concern element represents the ability to earn a higher return on the combined assembled collection of assets and businesses of Solutia than if those assets and businesses were to be acquired separately. The synergies from the combination of Eastman and Solutia are expected to be in the form of both increased revenues and decreased costs. Revenue synergies are expected to arise from Eastman acquiring access to complementary and adjacent key end-use markets, including automotive and architectural, and the potential for Eastman to increase its revenues and earnings in the Asia Pacific region. Cost synergies are expected to arise from reduction of corporate costs, raw material cost and procurement savings, and manufacturing and supply chain processes efficiency improvements and cost reductions across a larger business. Other relevant elements of goodwill are expected to include work force and technology and customers expected post-merger.

With respect to probable loss contingencies considered in the preparation of the preliminary purchase price allocation, based on the information available to Eastman at the time of preparation of the Statements, Eastman management concluded that the fair value of probable loss contingencies, including those related to legal and environmental matters, is not expected to be significantly different from the loss contingencies recognized on Solutia's historical statement of financial position. While estimation of fair value would require significant



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**Table of Contents**

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

knowledge of complex legal matters and strategies, which cannot occur prior to the closing date of the merger, nothing came to Eastman's attention during its legal, business, or financial due diligence review of Solutia that indicated to Eastman a material difference between Solutia's estimate of the probable loss for contingencies and estimates Eastman might make. Accordingly, Solutia's estimate of probable losses for contingencies, prepared as prescribed under GAAP and with full and unrestricted access to all relevant information, was used in preparing the preliminary purchase price allocation without adjustment.

Eastman has made preliminary allocation estimates based on limited access to information and will not have sufficient information to make final allocations until after completion of the merger. The final determination of the purchase price allocation is anticipated to be completed as soon as practicable after completion of the merger. Eastman anticipates that the valuations of the acquired assets and liabilities will include, but not be limited to, inventory, fixed assets, customer relationships, technology know how, trade names and other potential intangible assets. The valuations will consist of physical appraisals, discounted cash flow analyses, or other appropriate valuation techniques to determine the fair value of the assets acquired and liabilities assumed.

The final merger consideration, and amounts allocated to assets acquired and liabilities assumed in the merger could differ materially from the preliminary amounts presented in these Statements. A decrease in the fair value of assets acquired or an increase in the fair value of liabilities assumed in the merger from those preliminary valuations presented in these Statements would result in a dollar-for-dollar corresponding increase in the amount of goodwill that will result from the merger. In addition, if the value of the acquired assets is higher than the preliminary indication, it may result in higher amortization and depreciation expense than is presented in these Statements. See Note 4(a) for the effects of changes in estimated fair value of properties and amortizable intangible assets to be acquired in the merger on the calculation of pro forma depreciation and amortization expense.

**NOTE 4. ADJUSTMENTS TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The unaudited pro forma adjustments included in the Statements are as follows:

***Adjustments to Unaudited Pro Forma Condensed Combined Statement of Earnings***

***(a) Depreciation and amortization***

The adjustment to depreciation and amortization expense recorded in cost of sales and selling, general and administrative expenses is a result of the fair market value adjustments of \$144 million and \$899 million and estimated remaining useful lives of 12 years and 20 years for depreciable properties and amortizable intangible assets to be acquired, respectively. See Note 4(1) for the detail of the identifiable intangible assets expected to be acquired in the merger and the preliminary purchase price allocation applicable thereto.

The preliminary estimated useful lives and fair value adjustments of the Solutia assets to be acquired in the merger were determined in accordance with the procedures described in Note 3 hereof. With other assumptions held constant, a 10% increase in the fair value adjustment for properties and amortizable intangible assets as calculated would increase annual pro forma depreciation expense by approximately \$1 million and amortization expense by \$4 million, respectively. With other assumptions held constant, a decrease of one year in the estimated remaining weighted average useful lives of properties and amortizable intangible assets would increase annual pro forma depreciation expense by \$1 million and amortization expense by \$2 million, respectively.

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The pro forma depreciation and amortization expense adjustments have been allocated to cost of sales and selling, general, and administrative expenses, respectively, as follows (in millions):

	Cost of Sales	Selling, General, and Administrative Expenses	Total
Pro forma depreciation adjustment	\$ 11	1	12
Pro forma amortization adjustment	13	31	44
<b>Total adjustment</b>	<b>\$ 24</b>	<b>\$ 32</b>	<b>\$ 56</b>

**(b) Net interest expense**

The unaudited pro forma adjustment to net interest expense is calculated as follows (in millions):

Reduction in Solutia's total interest expense	\$ (105)
Interest expense from expected additional indebtedness	108
Reduction in interest income	3
<b>Total adjustment</b>	<b>\$ 6</b>

The unaudited pro forma adjustments of \$6 million reflects a reduction in Solutia's total interest expense of \$105 million as a result of the expected refinancing of Solutia's outstanding debt. Additional pro forma interest expense of \$108 million assumes the expected incurrence by Eastman of an additional \$3,500 million of indebtedness in connection with the merger with a weighted average interest rate of 3.0%, as described below, and also includes amortization of \$3 million of new financing costs of \$18 million. The reduction in interest income, contributing to higher net interest expense, is due to lower average cash balances as a result of the expected use of cash on hand to pay a portion of the cash portion of the merger consideration and transaction-related costs.

Eastman has entered into certain definitive agreements providing for this financing, including the Term Loan Agreement and the Bridge Loan Agreement as discussed under the heading "The Merger Financing for the Merger" beginning on page 66. These Statements have assumed that Eastman will complete an offering of debt securities based on current market conditions and, as a result, will not borrow any amounts under the Bridge Loan Agreement. See Note 4(o) for additional detail concerning estimated long-term debt. Unaudited pro forma interest expense includes estimates for variable rate interest costs as well as the amortization of financing costs and fees.

The weighted average interest rate of 3.0% was calculated based upon the expected composition and interest rates of this additional indebtedness as follows (dollars in millions):

	Amount	Index	Expected Interest Rate
Term Loan	\$ 1,200	1-month LIBOR	1.75%
5 Year Notes	1,000	5-year Treasury	2.80%
10 Year Notes	1,000	10-year Treasury	4.10%
30 Year Notes	300	30-year Treasury	5.55%
	<b>\$ 3,500</b>		

A 0.125% change in the interest rate on expected borrowings would change annual pro forma interest expense by approximately \$4 million. In addition, if Eastman does not obtain financing on the terms as anticipated in these Statements and borrows under the Bridge Loan Agreement, it would be subject to interest expense and costs different from those assumed in these Statements. Specifically, Eastman expects that

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

borrowings under the Bridge Loan Agreement would be at an interest rate of 1.75% per annum. Any such borrowings under the Bridge Loan Agreement, if made, would be classified as a component of current liabilities.

*(c) Early debt extinguishment costs*

Existing Solutia debt is expected to be refinanced in connection with completion of the merger. As such, related early debt extinguishment costs of \$4 million have been eliminated. See Note 4(o) for additional detail concerning estimated long-term debt.

*(d) Income tax expense*

The unaudited pro forma adjustment to income tax expense is calculated as follows (in millions):

Benefit due to additional depreciation and amortization	\$ (15)
Benefit due to additional interest expense	(2)
Additional tax due to elimination of early debt extinguishment costs	1
Increase to eliminate net benefits from changes in valuation allowances	49
<b>Total adjustment</b>	<b>\$ 33</b>

To calculate the pro forma adjustment to income tax expense due to additional depreciation and amortization, Solutia's 2011 blended global statutory tax rate of 27% has been applied to the unaudited pro forma depreciation and amortization adjustment of \$56 million, as these expenses are expected to be incurred both in and outside of the United States. This rate was derived based upon Solutia's 2011 split of U.S. and foreign pre-tax earnings, with the U.S. pre-tax amount increased for Solutia's historical interest expense, which resulted in a pre-tax income split of approximately 55% and 45%, respectively. Solutia's 2011 blended federal and state statutory tax rate of 37% was applied to the adjusted U.S. pre-tax amount and its foreign statutory tax rate of approximately 16% was applied to the foreign pre-tax amount, resulting in a total blended rate of 27%.

To calculate the pro forma adjustment to income tax expense due to additional interest expense, Solutia's 2011 combined U.S. federal and state statutory tax rate of 37% has been applied to the pro forma interest expense adjustment of \$6 million because the additional interest expense resulting from the merger is expected to be incurred in the United States. This rate was also applied to the \$4 million elimination of early debt extinguishment costs to determine the related unaudited pro forma tax expense adjustment.

In addition, net benefits of \$49 million to the 2011 income tax provision reported by Solutia for changes in valuation allowances have been eliminated, as such benefits will not be available to Eastman after the completion of the merger based upon the assumptions under which these unaudited pro forma adjustments have been prepared. See Note 4(i) for more information about the release of Solutia's valuation reserve against its deferred tax assets related to net operating losses and foreign tax credit carryforwards.

*(e) Shares outstanding*

The unaudited pro forma adjustment to shares outstanding used in the calculation of basic and diluted earnings per share is calculated as follows (in millions of shares):

	Basic	Diluted
Elimination of all outstanding shares of Solutia common stock	(119.8)	(121.3)
Issuance of Eastman common stock	14.6	14.6

Total adjustment	(105.2)	(106.7)
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**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

As all outstanding shares of Solutia common stock will be eliminated in the merger, the unaudited pro forma weighted average number of basic shares outstanding is calculated by adding Eastman's weighted average number of basic shares outstanding for the period and the number of shares of Eastman common stock expected to be issued to Solutia stockholders in the merger. Similarly, the unaudited pro forma weighted average number of diluted shares outstanding is calculated by adding Eastman's weighted average number of diluted shares outstanding for the period and the number of shares of Eastman common stock expected to be issued in the merger. As each outstanding option to acquire shares of Solutia common stock issued under any of the Solutia Equity Plans, whether or not then vested or exercisable, will be cancelled and terminated at the effective time of the merger in exchange for the right to receive cash, such options were excluded from this calculation. In addition, approximately 0.5 million shares to be issuable under Solutia warrants to be converted into warrants to purchase Eastman common stock as provided for in the merger agreement were excluded as antidilutive to earnings per share. See Note 1 for more information about treatment of share-based compensation and warrants under the provisions of the merger Agreement.

In addition to the foregoing adjustments to the unaudited pro forma condensed combined statement of earnings, the following expected estimated costs directly attributable to the merger represent nonrecurring items that are excluded from Earnings from continuing operations before nonrecurring items (in millions):

	Estimated Bridge Loan Fees	Estimated Advisory Costs	Estimated Total
Gross expense	\$ (17)	\$ (60)	\$ (77)
Tax benefit (1)	6	7	13
Net adjustment	\$ (11)	\$ (53)	\$ (64)

(1) Estimated tax benefit from tax deductible portion of costs. See Note 4(n) for additional detail concerning tax effects of one-time costs.  
*Adjustments to Unaudited Pro Forma Condensed Combined Statement of Financial Position*

*(f) Cash and short-term time deposits*

The unaudited pro forma adjustment represents a net decrease in cash on hand of \$579 million and short-term time deposits of \$200 million. The unaudited pro forma adjustment to cash is calculated as follows (in millions):

Proceeds from additional indebtedness	\$ 3,500
Cash portion of merger consideration	(2,718)
Repayment of Solutia debt at fair value	(1,443)
Financing fees	(35)
Advisory costs	(60)
Costs to settle Solutia's interest rate hedging contracts	(23)
Total adjustment	(779)
Liquidation of short-term time deposits	200
Total adjustment to cash and cash equivalents	\$ (579)

Components of the adjustment include an increase in cash resulting from new debt expected to be incurred in connection with the merger and a decrease in cash resulting from payment of the cash component of the merger consideration, the expected refinancing of existing Solutia debt at

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fair market value, and estimated transaction related costs of \$118 million, including settlement of Solutia's interest rate hedging net liability, financing fees, and advisory costs.

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

Due to change-in-control provisions of certain existing interest rate hedging contracts of Solutia, such contracts are expected to be settled shortly after the completion of the merger. Net cash used to settle these contracts and the elimination of related balance sheet accounts are as follows (in millions):

<b>Cash from elimination of assets</b>	
Miscellaneous receivables	\$ 5
Other noncurrent assets	5
Total cash from elimination of assets	10
<b>Cash used to eliminate liabilities</b>	
Accrued liabilities	(18)
Other noncurrent liabilities	(15)
Total cash used to eliminate liabilities	(33)
<b>Total net cash used</b>	<b>\$ (23)</b>

*(g) Miscellaneous receivables*

The unaudited pro forma adjustment reflects the elimination of miscellaneous receivables of \$5 million related to the elimination of Solutia's interest rate hedging net liability. See Note 4(f) for additional detail concerning the elimination of Solutia's interest rate hedging net liability.

*(h) Inventories*

The unaudited pro forma adjustment of \$80 million represents the step-up of Solutia's inventories balance to the preliminary estimated fair value of approximately \$415 million as of December 31, 2011. As raw materials inventory was assumed to be at market value, the adjustment is related to work-in-process and finished goods inventory. The preliminary fair value of finished goods inventory to be acquired in the merger was determined based on procedures performed during due diligence, which included analysis of estimated future selling prices, costs of disposal, and gross profit on disposal costs. The preliminary fair value of work-in-process inventory also considered costs to complete inventory and estimated profit on these costs. Assumptions used were derived from historical financial information publicly disclosed by Solutia as well as discussions with Solutia management and Eastman's experience with recent acquisitions.

*(i) Other current assets*

The unaudited pro forma adjustment to other current assets reflects the elimination of a \$14 million (current portion) valuation reserve against Solutia's deferred tax assets. This \$14 million adjustment as well as adjustments to other noncurrent assets and deferred tax liabilities reflect elimination of \$570 million of Solutia's valuation reserve against its deferred tax assets (current and noncurrent) related to net operating losses and foreign tax credit carryforwards that Eastman management anticipates that Eastman will more likely than not realize after completion of the merger.

Eastman management anticipates that Eastman will generate sufficient earnings over the next fifteen years to utilize remaining net operating loss and foreign tax credit carryforwards for which the valuation reserves have been eliminated. Eastman estimates that at the closing of the merger, \$675 million of Solutia's remaining net operating loss carryforwards will be available to offset Eastman's U.S. taxable income within the next three years based upon application of relevant sections of the Internal Revenue Code.



**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS***(j) Properties*

The unaudited pro forma adjustment of \$144 million represents the step-up of Solutia's net properties to the preliminarily estimated fair value of \$1,089 million as of December 31, 2011. Properties to be acquired in the merger include buildings, land, improvements, machinery and equipment, and construction in process. The unaudited pro forma fair value adjustment was determined during preliminary valuation work performed during due diligence. Although more detailed valuation work will be performed upon completion of the merger, Eastman management based this adjustment upon the nature of the assets to be acquired and knowledge of the chemicals industry.

To determine the preliminary estimated weighted average useful life of 12 years of the properties to be acquired in the merger, Eastman management considered the composition of the assets by category and applied useful life standards used by Eastman for similar assets. In its analysis, Eastman management also considered the historical useful lives of major categories of assets, including buildings and machinery and equipment, as publicly disclosed by Solutia. See Note 4(a) for a discussion of the possible effects of changes in the preliminary fair value and estimated remaining weighted average useful lives of properties to be acquired in the merger on the calculation of pro forma depreciation expense from those presented herein.

*(k) Goodwill*

Goodwill reflects the preliminary estimate of the excess of the purchase price to be paid by Eastman over the fair value of Solutia's identifiable assets to be acquired and liabilities to be assumed in the merger and is not amortized. The estimated purchase price to be paid by Eastman in the merger, based on the closing price of Eastman common stock on April 17, 2012 (the most recent practicable date), and the excess of the purchase price over the estimated fair value of the identifiable net assets to be acquired is calculated as follows (in millions):

Preliminary purchase price	\$ 3,501
Less: fair value of net assets to be acquired	(1,343)
<b>Total new goodwill</b>	<b>2,158</b>
Less: Solutia historical goodwill	(783)
<b>Pro forma goodwill adjustment</b>	<b>\$ 1,375</b>

See Note 3 for details regarding the effects of changes in the price of Eastman common stock and the preliminary fair values of assets to be acquired and liabilities to be assumed from those presented herein on the calculation of goodwill.

*(l) Identifiable intangible assets*

The unaudited pro forma adjustment reflects the step-up to the preliminary estimated fair value of Solutia's identifiable intangible assets from the respective carrying values reported by Solutia as of December 31, 2011. The intangible assets primarily consist of customer relationships; technology, including unpatented technology and patents; and trade names and trademarks as follows (in millions):

	As Reported	Adjustment	Estimated Fair Value
Customer relationships	\$ 535	\$ 485	\$ 1,020
Technology	199	226	425
Trade names and trademarks	182	188	370
<b>Total</b>	<b>\$ 916</b>	<b>\$ 899</b>	<b>\$ 1,815</b>



**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The estimated fair value of amortizable intangible assets is expected to be amortized on a straight-line basis over estimated useful lives that will generally range from five to 13 years for technology and 24 years for customer relationship intangible assets, subject to the finalization of the purchase price allocation in the merger. The amortizable life for each category of asset was determined by examining the pattern and life of expected cash flows from these items. The trade names and trademarks are expected to be indefinite-lived intangible assets, as these assets have no legal, contractual, regulatory, economic, or other competitive limiting factors and Eastman management expects to use them for the foreseeable future. See Note 4(a) for a discussion of the possible effects of changes in the preliminary fair value and estimated remaining weighted average useful life of intangible assets to be acquired in the merger from those presented herein on the calculation of pro forma amortization expense.

*(m) Other noncurrent assets*

The unaudited pro forma adjustment to other noncurrent assets is calculated as follows (in millions):

Elimination of valuation reserve against deferred tax assets of Solutia	\$ 515
Elimination of unamortized financing costs of Solutia	(25)
Capitalized financing costs related to additional indebtedness	18
Elimination of assets related to interest rate hedging contracts	(5)
<b>Total adjustment</b>	<b>\$ 503</b>

The unaudited pro forma adjustment reflects the elimination of a portion of the valuation reserve against Solutia's deferred tax assets. See Note 4(i) for additional detail concerning the release of Solutia's valuation reserve against its deferred tax assets related to net operating losses and foreign tax credit carryforwards. The adjustment also reflects the elimination of unamortized deferred financing costs associated with existing Solutia debt expected to be refinanced in connection with the merger and the addition of financing costs expected to be incurred by Eastman relating to expected additional indebtedness in connection with the completion of the merger. The unaudited pro forma adjustment also reflects the elimination of other noncurrent assets related to the settlement of Solutia's interest rate hedging net liability. See Note 4(f) for additional detail concerning the elimination of Solutia's interest rate hedging net liability.

*(n) Payables and other current liabilities*

The unaudited pro forma adjustment to payables and other current liabilities is calculated as follows (in millions):

Tax benefit from Bridge Loan fees	\$ (6)
Tax benefit from deductible advisory costs	(7)
Elimination of liabilities related to interest rate hedging contracts	(18)
<b>Total adjustment</b>	<b>\$ (31)</b>

The unaudited pro forma adjustment reflects a decrease in income taxes payable resulting from the tax deductibility of one-time costs, including estimated tax deductible advisory costs of \$18 million and financing costs of \$17 million for the Bridge Loan related to the merger. Adjustments to income taxes payable are based on applying the combined statutory U.S. federal and state tax rate of 37% to these costs. The unaudited pro forma adjustment also reflects the elimination of Solutia's \$18 million interest rate hedging gross liability. See Note 4(f) for additional detail concerning the elimination of Solutia's interest rate hedging net liability.

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS****(o) Debt**

The unaudited pro forma debt adjustments are classified between short-term borrowings (due within one year) and long-term borrowings as follows (in millions):

	Adjustments to Solutia debt	Refinancing of Solutia debt at fair value	Debt expected to be incurred by Eastman	Debt adjustment
Borrowings due within one year	\$ 106	\$ (1,443)	\$ 120	\$ 120
Long-term borrowings			3,380	2,043
<b>Total</b>	<b>\$ 106</b>	<b>\$ (1,443)</b>	<b>\$ 3,500</b>	<b>\$ 2,163</b>

Adjustments to Solutia debt include a fair value adjustment in the amount of \$102 million and elimination of unamortized bond discount of \$4 million. Due to the expected refinancing of existing Solutia debt, the adjustment reflects the elimination of \$1,443 million of outstanding Solutia debt at fair market value, which includes the carrying value of \$1,337 million and the \$106 million adjustment. The fair value of this debt is likely to fluctuate until the merger is completed.

The adjustment also includes an estimated \$3,500 million of debt expected to be incurred by Eastman primarily to repay the Solutia debt and fund transaction-related items, including the cash portion of the merger consideration and other one-time costs. Eastman has entered into certain definitive agreements providing for this financing including the Term Loan Agreement and the Bridge Loan Agreement as discussed under the heading *The Merger Financing for the Merger* beginning on page 66. The \$120 million current portion of the debt adjustment reflects the provisions of the Term Loan Agreement, which require 10% of the expected \$1,200 million balance to be repaid within one year of borrowing.

These Statements have assumed that Eastman will complete an offering of debt securities based on current market conditions and, as a result, will not borrow any amounts under The Bridge Loan Agreement. Any borrowings under the Bridge Loan Agreement, if made, would be classified as a component of current liabilities.

**(p) Deferred income tax liabilities**

The unaudited pro forma adjustment to deferred income tax liabilities is calculated as follows (in millions):

Net deferred income taxes arising from fair value adjustments:	
Inventories	\$ 22
Properties	39
Identifiable intangible assets	333
Debt	(39)
<b>Total net deferred income taxes arising from fair value adjustments</b>	<b>355</b>
<b>Elimination of valuation reserve against deferred tax assets of Solutia</b>	<b>(41)</b>
<b>Total adjustment</b>	<b>\$ 314</b>

The unaudited pro forma adjustment reflects the change in net deferred income taxes arising from fair value adjustments to Solutia's assets to be acquired and liabilities to be assumed by Eastman in the merger. Deferred income taxes arising from the estimated fair value adjustments for acquired inventory and properties have been calculated by applying Solutia's blended global statutory tax rate of 27% to the related fair value adjustments of \$80 million and \$144 million, respectively. Deferred income taxes arising from the estimated fair value adjustments related to

Solutia's identifiable intangible assets and existing debt, which are maintained in the U.S.,

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

have been calculated by applying the combined statutory U.S. federal and state tax rate of 37% to the related fair value adjustments of \$899 million and \$106 million, respectively. Although Eastman expects to refinance Solutia's existing debt in connection with completion of the merger (see Note 4(o)), the repayment of the debt at fair value is expected to generate a tax benefit for the difference between fair value and book value. Accordingly, a deferred tax asset has been reflected (as a reduction of the net deferred tax liability) for the difference. The unaudited pro forma adjustment also includes the elimination of a \$41 million tax valuation reserve against Solutia's deferred tax assets. See Note 4(i) for additional detail concerning the release of Solutia's valuation reserve against its deferred tax assets related to net operating losses and foreign tax credit carryforwards.

*(q) Other long-term liabilities*

The unaudited pro forma adjustment reflects the elimination of Solutia's \$15 million interest rate hedging gross liability. See Note 4(f) for additional detail concerning the elimination of Solutia's interest rate hedging net liability.

*(r) Stockholders' equity*

The Pro Forma Balance Sheet reflects the elimination of Solutia's historical equity balances and certain other adjustments, including the issuance of approximately 14.6 million shares of Eastman common stock expected to be issued in the merger (based upon the number of shares of Solutia common stock and shares underlying equity compensation awards outstanding at December 31, 2011). The unaudited pro forma adjustment to additional paid-in capital is calculated as follows (in millions):

Elimination of historical balance	\$ (1,651)
Additional paid-in capital from merger	783
<b>Total adjustment</b>	<b>\$ (868)</b>

The unaudited pro forma adjustment to retained earnings is calculated as follows (in millions):

Elimination of historical balance	\$ 441
Other adjustments	
Bridge loan fees	(17)
Advisory costs	(60)
Tax benefit of one-time costs	13
<b>Total other adjustments</b>	<b>(64)</b>
<b>Total adjustment</b>	<b>\$ 377</b>

Retained earnings were reduced for estimated transaction costs, including estimated transaction fees and financing costs related to the Bridge Loan Agreement, net of the estimated tax effects related to one-time costs. See Note 4(n) for additional detail concerning tax effects of one-time costs. These estimated transaction costs have been excluded from the Pro Forma Income Statement as they reflect charges directly attributable to the merger that will not have an ongoing impact on Eastman. See the disclosures immediately following Note 4(e). No material transaction costs have been expensed or accrued by either Eastman or Solutia in their actual historical financial statements.

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS****NOTE 5. ACCOUNTING METHODOLOGY CHANGE FOR PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS**

As previously disclosed, Eastman has elected to immediately recognize all pension and OPEB plans actuarial gains and losses in its operating results rather than amortizing them over future periods. Eastman management believes that this change in accounting will improve transparency of reporting of its operating results by recognizing the effects of economic and interest rate trends on pension and OPEB plan investments and assumptions in the year these actuarial gains and losses are incurred. Under the new method of accounting, these gains and losses are now measured annually at the plan's December 31 measurement date and recorded as a mark-to-market ( MTM ) adjustment during the fourth quarter of each year. This methodology is preferable under GAAP since it aligns more closely with fair value principles and does not delay the recognition of gains and losses into future periods. The new method will be retrospectively applied to the financial results of all periods.

The accounting methodology change for pension and OPEB plans increased expenses and decreased operating earnings and earnings from continuing operations before nonrecurring items in 2011 as follows (in millions):

	Eastman	Solutia
Cost of sales	\$ 71	\$ 36
Selling, general and administrative expenses	12	16
Research and development expenses	1	
Total adjustment to expenses	\$ 84	\$ 52

A summary of the impact of the accounting methodology change on the selected unaudited pro forma condensed combined financial information presented herein is as follows:

	Year Ended December 31, 2011			
	Earnings from Continuing Operations Before Nonrecurring Items (1)			
(Dollars in millions, except per share amounts; unaudited)	Operating Earnings	Before Tax	After Tax	Per Diluted Share
<b>Pro forma combined</b>	\$ 1,369	\$ 1,198	\$ 828	\$ 5.25
<b>Impact of accounting methodology change for pension and OPEB plans:</b>				
Eastman	(84)	(84)	(51)	(0.32)
Solutia	(52)	(52)	(38)	(0.24)
Pro forma combined, including the effect of the accounting methodology change for pension and OPEB plans	\$ 1,233	\$ 1,062	\$ 739	\$ 4.69

- (1) As indicated in the introductory paragraphs to these unaudited pro forma condensed combined financial statements and Note 4 hereof, certain nonrecurring items directly attributable to the merger have been excluded from pro forma earnings from continuing operations before nonrecurring items.

The impact of the change in accounting methodology for pension and OPEB plans on the Pro Forma Balance Sheet would be a reduction in accumulated other comprehensive loss of approximately \$675 million and an offsetting decrease to retained earnings of approximately \$675 million.

**Table of Contents**

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**NOTE 6. NON-GAAP FINANCIAL MEASURES**

The following table contains certain non-GAAP financial measures and accompanying reconciliations to the most directly comparable unaudited pro forma condensed combined financial information, including the effect of the accounting methodology change described in Note 5. The non-GAAP financial measures used by Eastman may not be comparable to similarly titled measures used by other companies and should not be considered in isolation or as a substitute for measures of performance or liquidity prepared in accordance with GAAP. For evaluation and analysis of ongoing business results and the impact on Eastman of strategic decisions and actions to reduce costs and to improve the profitability of Eastman, and of accounting gains and charges for MTM pension and OPEB adjustments, Eastman's management believes that operating earnings and earnings from continuing operations before nonrecurring items should be considered both with and without asset impairments and restructuring charges and gains, certain gains on sale of investments and divestitures of businesses, and MTM pension and OPEB adjustments. Eastman's management believes that investors can better evaluate and analyze historical and future business trends if they also consider the pro forma combined results without the identified items. Management utilizes results including and excluding the identified items in the measures it uses to evaluate business performance and in determining certain performance-based compensation. These measures, excluding the identified items, are not recognized in accordance with GAAP and should not be viewed as alternatives to the GAAP measures of performance.