

SOLUTIA INC
Form 425
January 30, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 26, 2012

EASTMAN CHEMICAL COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

1-12626
(Commission
File Number)

62-1539359
(IRS Employer
Identification No.)

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200 South Wilcox Drive

Kingsport, TN
(Address of principal executive offices)

Registrant's telephone number, including area code: (423) 229 - 2000

37662
(Zip Code)

None

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

Item 1.01. Entry into a Material Definitive Agreement

As previously disclosed by the press release dated January 27, 2012 and reported on the Current Report on Form 8-K filed on January 27, 2012, on January 26, 2012, Eastman Chemical Company (the *Company*) entered into an Agreement and Plan of Merger (the *Merger Agreement*) with Solutia Inc. (*Solutia*) and Eagle Merger Sub Corporation, an indirect wholly-owned subsidiary of the Company (*Merger Sub*).

Pursuant to the Merger Agreement, at the closing of the Acquisition (as defined below) (the *Effective Time*), Merger Sub will merge with and into Solutia, with Solutia surviving the merger as an indirect wholly-owned subsidiary of the Company (the *Acquisition*). At the effective time of the Acquisition, each outstanding share of common stock of Solutia will be canceled and converted automatically into the right to receive (subject to certain limitations set forth in the Merger Agreement) (i) \$22.00 in cash and (ii) 0.12 shares of the Company's common stock (the *Acquisition Consideration*). Additionally, at the Effective Time: (i) each outstanding option to acquire shares of Solutia common stock issued under any of Solutia's equity incentive plans (the *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 Acquisition Consideration (using the five-day average trading price of the Company's common stock included as Acquisition Consideration as calculated pursuant to the Merger Agreement) exceeds such option's exercise price; (ii) restrictions on any restricted shares of Solutia common stock issued under any Plan will lapse and such shares will be fully vested, and the holder thereof will be entitled to receive the Acquisition Consideration; (iii) each restricted stock unit issued under any Plan will be converted into a vested right to receive, in cash, the value of the Acquisition Consideration; and (iv) restrictions on any performance share or performance share unit award granted under any 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 Acquisition Consideration and, in the case of Performance Shares in the form of restricted stock units, the cash value of the Acquisition Consideration (using the five-day average trading price of the Company's common stock included as Acquisition Consideration as calculated pursuant to the Merger Agreement).

Also at the Effective Time, each warrant issued under the Warrant Agreement, dated February 28, 2008, between Solutia and the warrant agent, whether or not exercisable or vested, 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, the Acquisition Consideration.

The consummation of the Acquisition is subject to various customary closing conditions, including (i) approval by Solutia's stockholders, (ii) the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended (*HSR approval*), (iii) regulatory approvals, and (iv) the absence of a material adverse effect on Solutia or the Company.

Completion of the Acquisition is anticipated to occur by mid-2012, although there can be no assurance the Acquisition will occur within the expected timeframe or at all.

The Merger Agreement contains customary representations and warranties made by Solutia, the Company and Merger Sub. Solutia and the Company also agreed to various covenants in the Merger Agreement, including, among other things, covenants (i) to conduct their respective material operations in the ordinary course of business consistent with past practice and (ii) not to take certain actions prior to the closing of the Acquisition without prior consent of the other.

Solutia agreed in the Merger Agreement not to solicit or encourage competing acquisition proposals. Under certain circumstances, however, Solutia may provide information to a third party that makes an unsolicited acquisition proposal and engage in discussions and negotiations with such third party; provided that, among other things, the Solutia board determines in good faith (after consultation with its financial advisors and outside counsel) such unsolicited acquisition proposal is, or could reasonably be expected to lead to, a *Superior Proposal* (as defined in the Merger Agreement). Solutia may terminate the Merger Agreement to approve, adopt, recommend or enter into an acquisition agreement (as defined in the Merger Agreement) with respect to such Superior Proposal, provided that among other thing