

EASTMAN CHEMICAL CO
Form S-4
March 07, 2012
Table of Contents

As filed with the Securities and Exchange Commission on March 7, 2012

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

EASTMAN CHEMICAL COMPANY

(Exact name of registrant as specified in its charter)

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)

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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	131,424,079	N/A	\$752,402,852.28	\$ 86,225.37

- (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, an indirect 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) 126,942,829, 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 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.

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.

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 MARCH 7, 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. 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 _____, 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 161. 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**

	Page
<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>	50
<u>Comparative Market Value of Common Stock</u>	51
<u>Solutia Special Meeting</u>	52
<u>Proxy Statement/Prospectus</u>	52
<u>Date, Time and Place of the Solutia Special Meeting</u>	52
<u>Purpose of the Solutia Special Meeting</u>	52
<u>Record Date and Voting</u>	52
<u>Vote Required</u>	52
<u>Recommendation of the Solutia Board of Directors</u>	53
<u>Voting Electronically or by Telephone</u>	54
<u>Vote of Solutia's Directors and Executive Officers</u>	54
<u>Revocability of Proxies</u>	54
<u>Inspector of Election</u>	54
<u>Attending the Solutia Special Meeting</u>	55
<u>Voting Procedures</u>	55
<u>Proxy Solicitations</u>	55
<u>Householding</u>	56
<u>Results of the Solutia Special Meeting</u>	56
<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>	56
<u>Proposals Submitted to Solutia Stockholders</u>	58
<u>Adoption of the Agreement and Plan of Merger</u>	58
<u>Non-Binding Advisory Vote on Golden Parachute Compensation</u>	58
<u>Adjournment Proposal</u>	59
<u>The Merger</u>	60
<u>Effect of the Merger</u>	60
<u>Financing for the Merger</u>	61
<u>Background of the Merger</u>	63
<u>Recommendation of the Solutia Board of Directors and Solutia's Reasons for the Merger</u>	78
<u>Opinions of Financial Advisors</u>	84
<u>Certain Unaudited Eastman Forecasts and Other Information</u>	103
<u>Certain Unaudited Solutia Forecasts</u>	106
<u>Interests of Certain Persons in the Merger</u>	107

Table of Contents

	Page
<u>Equity Awards Held by Executive Officers and Directors</u>	108
<u>Payments to Solutia Executive Officers Contingent Upon the Merger</u>	110
<u>Golden Parachute Compensation</u>	112
<u>Board of Directors and Management of Eastman After the Merger</u>	114
<u>Solutia Director and Officer Indemnification and Continuation of Insurance</u>	114
<u>Regulatory Approvals</u>	114
<u>New York Stock Exchange Listing of Eastman Common Stock; Deregistration of Solutia Common Stock After the Merger</u>	115
<u>Exchange of Shares of Solutia Common Stock</u>	116
<u>Distributions with Respect to Unexchanged Shares of Solutia Common Stock</u>	116
<u>Fractional Shares</u>	116
<u>Lost, Stolen and Destroyed Certificates</u>	116
<u>Appraisal Rights</u>	117
<u>Litigation Related to the Merger</u>	120
<u>Accounting Treatment Of The Merger</u>	121
<u>Material U.S. Federal Income Tax Consequences</u>	121
<u>The Merger Agreement</u>	127
<u>The Merger</u>	127
<u>Effective Time; Closing</u>	127
<u>Merger Consideration</u>	128
<u>Withholding</u>	130
<u>Dividends and Distributions</u>	130
<u>Conditions to the Completion of the Merger</u>	130
<u>Reasonable Best Efforts to Obtain Solutia Stockholder Approval</u>	132
<u>Non-Solicitation of Alternative Proposals</u>	132
<u>Financing Covenant; Solutia Cooperation</u>	135
<u>Regulatory Matters; Third-Party Consents</u>	136
<u>Termination</u>	137
<u>Solutia Termination Fee</u>	137
<u>Expenses</u>	138
<u>Conduct of Business Pending the Merger</u>	138
<u>Additional Covenants</u>	140
<u>Governance of Surviving Corporation</u>	140
<u>Indemnification; Directors and Officers Insurance</u>	140
<u>Employee Matters</u>	141
<u>Representations and Warranties</u>	141
<u>Amendment and Waiver</u>	143
<u>Governing Law and Venue; Waiver of Jury Trial</u>	143
<u>Specific Performance</u>	143
<u>Description of Eastman Capital Stock</u>	144
<u>Authorized Capital Stock</u>	144
<u>Certain Provisions Affecting Control of Eastman</u>	144
<u>Transfer Agent and Registrar</u>	147
<u>Comparison of Rights of Holders of Eastman Common Stock and Solutia Common Stock</u>	148
<u>Legal Matters</u>	159
<u>Experts</u>	159
<u>Eastman</u>	159
<u>Solutia</u>	159
<u>Submissions of Solutia Stockholder Proposals</u>	160
<u>Where You Can Find More Information</u>	161
<u>Eastman</u>	161
<u>Solutia</u>	162

Table of Contents

	Page
<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 & 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 indirect 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 an indirect 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 _____, 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 78.

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 161.

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.

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 121 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 _____, 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 _____, 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 (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 161. 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 161.

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 an indirect 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 161.

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 127)

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 128)

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.

Merger Consideration Value (See page 51)

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 78)

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 78.

Opinions of Solutia's Financial Advisors (See page 84)

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 94)

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 129)

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 129)

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.

Interests of Solutia Directors and Executive Officers in the Merger (See page 107)

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 130)

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.

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 130, and the receipt of a certificate signed on behalf of

Solutia by its Chief Executive Officer or Chief Financial Officer to that effect;

Table of Contents

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 130, 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 136)

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 is expected to expire on March 28, 2012, unless each party receives notice of termination of the waiting period before that date or unless the reviewing agency extends the period by issuing a request for additional information.

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.

Financing (See page 61)

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 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 137)

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.

Table of Contents

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 132)

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 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 no-solicitation provision), participate or engage in any negotiations or discussions with respect to, any acquisition proposal (as defined in the merger agreement);

Table of Contents

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 137)

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.

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 121)

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

Table of Contents

Material U.S. Federal Income Tax Consequences (See page 121)

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 121 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 120)

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 148)

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 117)

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 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.**

Table of Contents

Solutia Special Meeting (See page 52)

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
Basic earnings per share					
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
Diluted earnings per share					
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	Predecessor (1)	
	Twelve Months Ended			Months	Two	Twelve
	2011	2010	2009	Ended	Months	Months
(Dollars and shares in millions, except per share amounts)				December 31,	Ended	Ended
				2008	February 29,	December 31,
					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)
Per Share Data:						
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	\$	\$	\$	\$	\$
Financial Position - Continuing Operations:						
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)
Other Data from Continuing Operations:						
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 161 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)	Year Ended December 31, 2011
Sales	\$ 9,275
Operating earnings	1,369
Earnings from continuing operations before income taxes	1,197
Earnings from continuing operations	\$ 827
Basic earnings per share	
Earnings from continuing operations	\$ 5.36
Diluted earnings per share	
Earnings from continuing operations	\$ 5.24

Summary Pro Forma Condensed Combined Financial Position Information:

(Dollars in millions)	As of December 31, 2011
Total assets	\$ 11,942
Long-term borrowings	4,825
Total stockholders' equity	2,591

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
Income from Continuing Operations Per Share				
Basic				
Year Ended December 31, 2011	\$ 2.19	\$ 0.64	\$ 4.70	\$ 5.36
Diluted				
Year Ended December 31, 2011	\$ 2.16	\$ 0.63	\$ 4.59	\$ 5.24
Cash Dividends Declared Per Share				
Year Ended December 31, 2011	\$ 0.0375	\$ 0.12	\$ 0.990	\$ 0.990
Book Value Per Share				
December 31, 2011	\$ 7.53	\$ 2.05	\$ 13.66	\$ 17.10
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.

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 161.*

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.

Table of Contents

Because this exchange ratio of the stock portion of the merger consideration will not be adjusted to reflect any 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 is expected to expire on March 28, 2012, unless each party receives notice of termination of the waiting period before that date or unless the reviewing agency extends the period by issuing a request for additional information. If a request for additional information is issued, the termination of the waiting period may be subject to compliance with certain conditions.

Table of Contents

Outside of the United States, the parties have filed or will shortly file notification and reports forms in the European Union, China, South Korea, and the Ukraine. The waiting periods for these jurisdictions vary, and the parties must wait for the regulators to accept the filing as complete.

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

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from any offering of debt securities it may undertake. 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.

Table of Contents

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 161.

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 148.

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 161.

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 161.

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
Basic earnings per share					
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
Diluted earnings per share					
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)
Per Share Data:						
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	\$	\$	\$	\$	\$
Financial Position - Continuing Operations:						
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)
Other Data from Continuing Operations:						
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.

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. Eastman estimated the fair value of Solutia's assets and liabilities based on discussions with Solutia's management, due diligence review in connection with the merger, and information available to Eastman in public filings. 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 estimated transaction costs and their impact have been excluded from the accompanying Pro Forma Income Statement as they reflect charges directly related to the merger that will not have an ongoing impact. 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 or 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	7	(b) 184
Early debt extinguishment costs		4	(4)	(c)
Other charges (income), net	(19)	7		(12)
Earnings from continuing operations before income taxes	964	292	(59)	1,197
Provision for income taxes from continuing operations	307	30	(16)	(d) 370
			49	(d) 370
Earnings from continuing operations	\$ 657	\$ 262	\$ (92)	\$ 827
Basic earnings per share				
Earnings from continuing operations	\$ 4.70	\$ 2.19		\$ 5.36
Diluted earnings per share				
Earnings from continuing operations	\$ 4.59	\$ 2.16		\$ 5.24
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

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
Assets					
Current assets					
Cash and cash equivalents	\$ 577	\$ 113	\$ (580)	(f)	\$ 110
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
Total current assets	\$ 2,302	\$ 787	\$ (691)		\$ 2,398
Properties					
Properties and equipment at cost	8,383	1,205	(116)		9,472
Less: Accumulated depreciation	5,276	260	(260)		5,276
Net properties	3,107	945	144	(j)	4,196
Goodwill					
Goodwill	406	783	1,374	(k)	2,563
Identifiable intangible assets	101	916	899	(l)	1,916
Other noncurrent assets	268	95	506	(m)	869
Total assets	\$ 6,184	\$ 3,526	\$ 2,232		\$ 11,942
Liabilities and Stockholders' Equity					
Current liabilities					
Payables and other current liabilities	\$ 961	\$ 421	\$ (12)	(n)	
			(18)	(n)	\$ 1,352
Borrowings due within one year	153		120	(o)	273
Total current liabilities	1,114	421	90		1,625
Long-term liabilities					
Long-term borrowings	1,445	1,337	2,043	(o)	4,825
Deferred income tax liabilities	210	190	312	(p)	712
Post-employment obligations	1,411	308			1,719
Other long-term liabilities	134	351	(15)	(q)	470
Total liabilities	\$ 4,314	\$ 2,607	\$ 2,430		\$ 9,351
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)	379	(r)	3,374
Accumulated other comprehensive loss	(538)	(279)	279	(r)	(538)
	3,800	932	(211)		4,521
Less: Treasury stock at cost	1,930	13	(13)	(r)	1,930

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Total stockholders' equity	1,870	919	(198)	2,591
Total liabilities and stockholders' equity	\$ 6,184	\$ 3,526	\$ 2,232	\$ 11,942

The accompanying notes are an integral part of these
Unaudited Pro Forma Condensed Combined Financial Statements.

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 and shares held by holders properly exercising appraisal rights under the DGCL) 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 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 no provision was made in these Statements.

Based on the estimated number of shares of Solutia common stock and Eastman common stock outstanding on March 2, 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

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.

Additionally, based on Eastman's review of Solutia's publicly disclosed summary of significant accounting policies and preliminary discussions with Solutia management, the nature and amount of any adjustments to the historical financial statements of Solutia to conform its accounting policies to those of Eastman are not expected to be material. Prior to and following the completion of the merger, further review of Solutia's accounting policies and financial statements may result in revisions to Solutia's policies and classifications to conform to those of Eastman, which could have a material impact on Eastman's actual future financial condition and results of operations as compared to the Pro Forma Balance Sheet and Pro Forma Income Statement included herein.

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 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 March 2, 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 DGCL) will be cancelled and converted automatically into the right to receive (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	39		39
Total consideration	\$ 2,719	\$ 783	\$ 3,502

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 no provision was made 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 \$81 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	2,157
Identifiable intangible assets	1,815
Other noncurrent assets	585
Total assets	\$ 6,527
Current liabilities	(421)
Long-term borrowings	(1,443)
Other liabilities and noncontrolling interest	(1,161)
Total liabilities	(3,025)
Estimated purchase price	\$ 3,502

No assurances can be provided as to the actual purchase price to be paid by Eastman, the value of the assets to be acquired or the liabilities to be assumed in the merger, or as to the final allocations of the purchase price. Any differences from those presented in these Statements could be

material.

Table of Contents**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS****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(l) for the detail of the intangible assets 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 based on due diligence review in connection with the merger and have been allocated to cost of sales; selling, general, and administrative expenses; and research and development expenses as follows (in millions):

	Year Ended December 31, 2011			
	Cost of Sales	Selling, General, and Administrative Expenses	Research and Development Expenses	Total
Solutia, historical	\$ 89	\$ 34	\$ 2	\$ 125
Pro forma adjustment	24	32		56
Adjusted total amortization and depreciation	\$ 113	\$ 66	\$ 2	\$ 181

(b) Net interest expense

The net unaudited pro forma adjustments of \$7 million reflect a reduction in Solutia's total interest cost of \$105 million as a result of the expected refinancing of Solutia's outstanding debt, additional interest expense of \$109 million resulting from the expected incurrence by Eastman of additional indebtedness in order to pay the cash portion of the merger consideration and transaction-related costs, and a reduction of \$3 million in interest income due to lower average cash balances as a result of the use of cash on hand to pay a portion of the cash portion of the merger consideration and transaction-related costs. Additional pro forma interest expense 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%, and also includes amortization of \$3 million on new financing costs of \$21 million.

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 61. These Statements have assumed that Eastman will complete an offering of debt securities based on current market conditions and that, in conjunction with the proceeds from the offering of debt securities and borrowings under the Term Loan Agreement, will not borrow 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. A 0.125% change in the interest rate on expected borrowings in connection with the merger 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 presented in these Statements. Any such borrowings under the Bridge Loan Agreement, if made, would be classified as a component of current liabilities.

Table of Contents

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(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

Solutia's 2011 blended global statutory tax rate of 27% has been applied to the unaudited pro forma adjustments related to operating expenses for 2011, as these expenses are expected to be incurred both in and outside of the United States. The 2011 combined U.S. federal and state statutory tax rate of 37% has been applied to the unaudited pro forma adjustments related to interest expense for 2011 because the additional interest expense resulting from the merger is expected to be incurred in the United States. This rate has also been applied to the unaudited pro forma adjustment to eliminate early debt extinguishment costs. In addition, 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 in future periods 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 reflects the cancellation of all outstanding shares of Solutia common stock and the issuance of approximately 14.6 million shares of Eastman common stock.

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. 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.

Adjustments to Unaudited Pro Forma Condensed Combined Statement of Financial Position

(f) Cash and short-term time deposits

The unaudited pro forma adjustment amount represents a net decrease in cash on hand of \$580 million and short-term time deposits of \$200 million. This includes an increase in cash resulting from new debt of \$3,500 million 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 of \$2,719 million in the merger, the expected refinancing of existing Solutia debt at fair market value for \$1,443 million, and estimated transaction related costs of \$118 million, including settlement of Solutia's interest rate hedging liability, financing fees, and advisory costs.

Table of Contents**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS***(g) Miscellaneous receivables*

Due to the 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. Adjustments include the elimination of assets and liabilities related to such contracts. Total related assets of \$10 million, including miscellaneous receivables of \$5 million, and liabilities of \$33 million were eliminated, for an estimated net settlement cost of \$23 million.

(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.

(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.

(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.

(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, based on the closing price of Eastman common stock on March 2, 2012 (the most recent practicable date), and the excess of the purchase price over the fair value of the identifiable net assets to be acquired is calculated as follows (in millions):

Preliminary purchase price	\$ 3,502
Less: fair value of net assets to be acquired	(1,345)
Total new goodwill	2,157
Less: Solutia historical goodwill	(783)
Pro forma goodwill adjustment	\$ 1,374

(l) Identifiable intangible assets

The unaudited pro forma adjustment reflects \$899 million to record the step-up to the preliminary estimated fair value of Solutia's identifiable intangible assets of approximately \$1,815 million as of December 31, 2011. The intangible assets primarily consist of customer relationships of \$1,020 million, technology of \$425 million, and trade names and trademarks aggregating approximately \$370 million. The trade names and trademarks are expected to be indefinite-lived intangible assets. The estimated fair value of amortizable intangible assets of is

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

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.

(m) Other noncurrent assets

The unaudited pro forma adjustment reflects the elimination of a \$515 million 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 \$25 million of deferred financing costs associated with existing Solutia debt expected to be refinanced and the addition of an estimated \$21 million of financing costs expected to be incurred by Eastman relating to additional debt expected to be incurred in connection with the completion of the merger. The unaudited pro forma adjustment also reflects the elimination of other noncurrent assets of \$5 million related to the elimination of Solutia's interest rate hedging net liability. See Note 4(g) 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 reflects a \$12 million decrease in income taxes payable resulting from the tax deductibility of one-time costs, including transaction fees and financing costs for the Bridge Loan related to the merger. Adjustments to income taxes payable are based on the combined statutory U.S. federal and state tax rate of 37%. The unaudited pro forma adjustment also reflects the elimination of Solutia's \$18 million interest rate hedging gross liability. See Note 4(g) for additional detail concerning the elimination of Solutia's interest rate hedging net liability.

(o) Debt

The unaudited pro forma adjustment represents the elimination of \$1,443 million of outstanding Solutia debt at fair market value, which Eastman expects to refinance in connection with the completion of the merger, and includes book value of \$1,337 million, a fair value adjustment in the amount of \$102 million and elimination of unamortized bond discount of \$4 million. The fair value of this debt is expected 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 finance, in part, the cash portion of the consideration to be paid by Eastman in the merger and to pay a portion of the related fees and expenses, which may include the repayment of certain outstanding borrowings of Solutia. 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 61. These Statements have assumed that Eastman will complete an offering of debt securities based on current market conditions and that, in conjunction with the proceeds from that offering of debt securities and borrowings under the Term Loan Agreement, will not borrow under the Bridge Loan Agreement. The debt adjustments were classified between short-term (borrowings due within one year) and long-term borrowings as follows (in millions):

	Adjustments	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
Total	\$ 106	\$ (1,443)	\$ 3,500	\$ 2,163

Any borrowings under the Bridge Loan Agreement, if made, would be classified as a component of current liabilities.

Table of Contents**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS***(p) Deferred income tax liabilities*

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 based on Solutia's blended global statutory tax rate of 27%. 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., have been calculated based on the combined statutory U.S. federal and state tax rate of 37%. Although Eastman expects to refinance Solutia's existing debt in connection with completion of the merger (see Note 4(o)), the repayment of 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 this 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(g) 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 the recognition 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 compensation equity awards outstanding at December 31, 2011) and \$783 million of additional paid-in capital.

Additionally, retained earnings were reduced by \$62 million for estimated transaction costs of \$74 million, including estimated transaction fees and financing costs related to the Bridge Loan Agreement, net of the estimated tax effects of \$12 million 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 related to the merger that will not have an ongoing impact on Eastman. No material transaction costs had been expensed or accrued by either Eastman or Solutia in their actual historical 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 for all periods.

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

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

	Operating Earnings	Year Ended December 31, 2011 Earnings from Continuing Operations		Per Diluted Share
		Before Tax	After Tax	
(Dollars in millions, except per share amounts; unaudited)				
Pro forma combined	\$ 1,369	\$ 1,197	\$ 827	\$ 5.24
Impact of accounting methodology change for pension and OPEB plans:				
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	\$ 1,061	\$ 738	\$ 4.68

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 improve the profitability of Eastman, and of accounting gains and charges for MTM pension and OPEB adjustments, Eastman's management believes that Eastman's operating earnings and earnings from continuing operations 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.

	Year Ended December 31, 2011			
	Earnings from Continuing Operations			
	Operating Earnings	Before Tax	After Tax	Per Diluted Share
(Dollars in millions, except per share amounts; unaudited)				
Pro forma combined, including the effect of the accounting methodology change for pension and OPEB plans	\$ 1,233	\$ 1,061	\$ 738	\$ 4.68
Certain items:				
Asset impairments and restructuring charges, net (1)(2)	11	11	10	0.07
Gains on sale of investments and divestiture of businesses (3)	(46)	(46)	(44)	(0.28)
Eastman MTM pension and OPEB adjustment (4)	144	144	88	0.55
Solutia MTM pension and OPEB adjustment (5)	56	56	41	0.26
Excluding items	\$ 1,398	\$ 1,226	\$ 833	\$ 5.28

- (1) Eastman asset impairments and restructuring charges (gains), net, include a \$15 million gain from the sale of the previously impaired methanol and ammonia assets related to the terminated Beaumont, Texas industrial gasification project in second quarter and \$7 million in restructuring charges primarily for severance associated with the acquisition and integration of Sterling Chemicals, Inc. in third quarter.
- (2) Solutia asset impairments and restructuring charges (gains), net, consist of \$14 million in restructuring charges for severance, pension settlement, and other charges related to the relocation of European regional headquarters and \$5 million for severance costs and share-based compensation expense on executive officer separation agreement.
- (3) Solutia gains on sale of investments and divestiture of businesses consist of \$29 million gain related to the sale of remaining two percent ownership interest in Ascend Performance Materials Holdings, Inc. and a \$17 million gain on certain other rubber chemicals divestitures.
- (4) Eastman MTM adjustment for pension and OPEB plans actuarial net losses resulting from the change in pension and OPEB accounting methodology. See Note 5.
- (5) Solutia's estimated MTM adjustment for pension and OPEB plans actuarial net losses.

Table of Contents**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.

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	
		Pro		Pro
	Historical	Forma	Historical	Forma
		Equivalent		Combined
Income from Continuing Operations Per Share				
Basic				
Year Ended December 31, 2011	\$ 2.19	\$ 0.64	\$ 4.70	\$ 5.36
Diluted				
Year Ended December 31, 2011	\$ 2.16	\$ 0.63	\$ 4.59	\$ 5.24
Cash Dividends Declared Per Share				
Year Ended December 31, 2011	\$ 0.0375	\$ 0.12	\$ 0.990	\$ 0.990
Book Value Per Share				
December 31, 2011	\$ 7.53	\$ 2.05	\$ 13.66	\$ 17.10

Table of Contents**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.

Table of Contents

SOLUTIA SPECIAL MEETING

Proxy Statement/Prospectus

This proxy statement/prospectus is being furnished to Solutia stockholders in connection with the solicitation of proxies by the Solutia board of directors in connection with the special meeting of Solutia stockholders.

This proxy statement/prospectus and the enclosed proxy card(s) are first being sent to Solutia stockholders on or about _____, 2012.

Date, Time and Place of the Solutia Special Meeting

The Solutia special meeting is to be held at 10:00 a.m., local time, on _____, 2012, at _____.

Purpose of the Solutia Special Meeting

At the Solutia special meeting, holders of Solutia common stock as of 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; 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.

Record Date and Voting

Only holders of record of Solutia common stock at the close of business on _____, 2012, which is 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. 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.

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 (other than with respect to Proposal 3, the proposal related to adjournments, for which a quorum is not required). 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.

If your proxy card is properly executed and received by Solutia in time to be voted at the Solutia special meeting, the shares of Solutia common stock represented by your proxy (including those given electronically via the Internet or by telephone) will be voted in accordance with the instructions that you mark on your proxy card. Executed but unvoted proxies will be voted in accordance with the recommendations of the Solutia board of directors.

Vote Required

Adoption of merger agreement (Proposal 1). The affirmative vote of the holders of a majority of the outstanding shares of Solutia common stock entitled to vote at the Solutia special meeting is required to adopt the merger agreement. The required vote of Solutia stockholders on the merger agreement is based upon the number of outstanding shares of Solutia common stock entitled to vote at the Solutia special meeting, and not the number

Table of Contents

of shares that are actually voted. Brokers, banks and other nominees do not have discretionary authority to vote on this Proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the Solutia special meeting of any Solutia stockholder or the abstention from voting by any Solutia stockholder, or the failure of any Solutia stockholder who holds shares in street name through a broker, bank or other nominee to give voting instructions to such broker, bank or other nominee (a broker non-vote), will have the same effect as a vote against the adoption of the merger agreement by the Solutia stockholder.

Advisory vote on golden parachute compensation (Proposal 2). The affirmative vote of a majority of the votes cast by the holders of Solutia common stock at the Solutia special meeting is required 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. The required vote of holders of Solutia common stock 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 is based on the number of shares that are actually voted, not on the number of outstanding shares of Solutia common stock. While the Solutia board of directors intends to consider the vote resulting from this proposal, the vote is advisory, and therefore not binding on Solutia or on Eastman, or the board of directors or the compensation committees of Eastman or Solutia. Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Solutia stockholders or the abstention from voting by holders of Solutia common stock, or a broker non-vote, will have no effect on this proposal.

Approval of the adjournment of the Solutia special meeting (Proposal 3). The affirmative vote of a majority of the votes cast by holders of Solutia common stock at the Solutia special meeting is required to approve the proposal to adjourn the Solutia special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Solutia special meeting to adopt the merger agreement. The required vote of holders of Solutia common stock to approve the proposal to adjourn the special meeting of Solutia stockholders, if necessary, to solicit additional proxies is based on the number of shares that are actually voted, not on the number of outstanding shares of Solutia common stock. Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Solutia stockholders or the abstention from voting by holders of Solutia common stock, or a broker non-vote, will have no effect on this proposal. In accordance with the Solutia Bylaws, a vote to approve the proposal to adjourn the Solutia special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Solutia special meeting to adopt the merger agreement may be taken in the absence of a quorum. Solutia does not intend to call a vote on this proposal if Proposal 1 has been approved at the Solutia special meeting.

Recommendation of the Solutia Board of Directors

The Solutia board of directors recommends votes:

1. **FOR** the adoption of the merger agreement (Proposal 1);
2. **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 (Proposal 2); and
3. **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 (Proposal 3).

Solutia stockholders should carefully read this proxy statement/prospectus in its entirety for more detailed information concerning the merger agreement and the merger. In particular, Solutia stockholders are directed to the merger agreement, which is attached as *Annex A* hereto.

Table of Contents

Voting Electronically or by Telephone

If your shares of Solutia common stock are registered directly in your name with Solutia's transfer agent, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent to you directly by Solutia. As a stockholder of record, you have the right to grant your voting proxy directly to the persons named as proxy holders, 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, or to vote in person at the Solutia special meeting. A proxy card has been enclosed for you to use. You may also vote on electronically via the Internet or by telephone.

If your shares of Solutia common stock are held by a broker, bank or other nominee, you are considered the beneficial owner of the shares held in street name and these proxy materials are being forwarded to you by your broker, bank or other nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote your shares and are also invited to attend the Solutia special meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Solutia special meeting. Your broker, bank or other nominee has enclosed a voting instruction card for you to use in directing your broker, bank or other nominee as to how to vote your shares. You may also vote electronically via the Internet or by telephone.

Whether or not you plan to attend the Solutia special meeting, your vote is important, and Solutia encourages you to vote promptly. You can ensure your shares of Solutia common stock are represented at the Solutia special meeting by promptly submitting your proxy electronically via the Internet or by telephone or marking, signing, dating and returning the appropriate proxy card in the envelope provided. Each valid proxy received in time will be voted at the Solutia special meeting according to the choice specified, if any. A proxy may be revoked at any time before the proxy is voted, as outlined below.

Vote of Solutia's Directors and Executive Officers

As of the record date, Solutia 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 total outstanding shares of Solutia common stock. Solutia currently expects that its directors and executive officers will vote their shares in favor of Proposals 1, 2 and 3, but none of Solutia's directors or executive officers have entered into any agreement obligating them to do so.

Revocability of Proxies

You may revoke a proxy or change your voting instructions at any time prior to the vote at the Solutia special meeting. You may enter a new vote electronically via the Internet or by telephone or by mailing a new proxy card or new voting instruction card bearing a later date (which will automatically revoke your earlier voting instructions) or by attending the Solutia special meeting and voting in person. Your attendance at the Solutia special meeting in person will not cause your previously granted proxy to be revoked unless you specifically so request. You may deliver written notice of revocation of a proxy to Solutia's Corporate Secretary at any time before the Solutia special meeting by sending such revocation to the Corporate Secretary, 575 Maryville Centre Drive, St. Louis, Missouri 63141, in time for the Corporate Secretary to receive it before the Solutia special meeting.

Inspector of Election

A representative of Broadridge Financial Solutions, Inc. will tabulate the vote and act as the inspector of election at the Solutia special meeting.

Table of Contents

Attending the Solutia Special Meeting

You are entitled to attend the Solutia special meeting only if you are a stockholder of record of Solutia or you hold your shares of Solutia beneficially in the name of a broker, bank or other nominee as of the record date, or you hold a valid proxy for the Solutia special meeting.

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

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 as of the record date to be admitted to the Solutia special meeting. A recent statement or letter from your broker, bank or other nominee 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, 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.

Voting Procedures

You may vote your shares of Solutia common stock 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.

Whether you vote your proxy electronically via the Internet, by telephone, by mail or in person, Solutia will treat your proxy the same way. The individuals appointed as proxyholders 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 are received in time for the Solutia special meeting will be voted as specified in such proxies. Valid proxies include all properly executed, written paper proxy cards received pursuant to this solicitation that are not later revoked. Executed but unvoted proxies will be voted in accordance with the recommendations of the Solutia board of directors.

Executed proxies submitted without direction pursuant to this solicitation will be voted **FOR** each of the proposals in accordance with the recommendation of the Solutia board of directors as disclosed in this proxy statement/prospectus.

Proxy Solicitations

Solutia is soliciting proxies for the Solutia special meeting from Solutia stockholders. Solutia will reimburse brokers, banks, institutions and others holding common stock of Solutia as nominees for their expenses in sending proxy solicitation material to the beneficial owners of such common stock of Solutia and obtaining their proxies.

Stockholders should not send stock certificates or other evidence of shares in book-entry form with their proxies. A letter of transmittal and instructions for the surrender of Solutia stock certificates will be mailed to Solutia stockholders shortly after the completion of the merger, if approved and completed.

Solutia has engaged MacKenzie Partners, Inc., or MacKenzie Partners, to assist in the solicitation of proxies for the Solutia special meeting and will pay MacKenzie Partners a fee of approximately \$, plus reimbursement of out-of-pocket expenses. The address of MacKenzie Partners is 105 Madison Avenue, New York, New York 10016. If you need assistance in completing your proxy card or have questions regarding the Solutia special meeting, please contact MacKenzie Partners at proxy@mackenziepartners.com (e-mail), call toll-free: (800) 322-2885 or call collect: (212) 929-5500.

Table of Contents**Householding**

Some brokers, banks and other nominees may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of this proxy statement/prospectus may have been sent to multiple stockholders in your household. Solutia will promptly deliver a separate copy of either or both documents to you if you write or call Solutia at the following address or phone number: Mackenzie Partners, proxy@mackenziepartners.com (email), (800) 322-2885 (toll-free) or (212) 929-5500 (collect).

Results of the Solutia Special Meeting

The preliminary voting results will be announced at the Solutia special meeting. In addition, within four business days following the Solutia special meeting, Solutia intends to file the final voting results with the SEC on a Current Report on Form 8-K. If the final voting results have not been certified within that four-business-day period, Solutia will report the preliminary voting results on a Current Report on Form 8-K at that time and will file an amendment to the Current Report on Form 8-K to report the final voting results within four days of the date that the final results are certified.

**BENEFICIAL STOCK OWNERSHIP OF SOLUTIA'S DIRECTORS, EXECUTIVE OFFICERS
AND PERSONS OWNING MORE THAN 5% OF THE OUTSTANDING SHARES OF
SOLUTIA COMMON STOCK**

The following table shows the amount of Solutia common stock beneficially owned as of March 1, 2012 (unless otherwise indicated) by each person known by Solutia to own beneficially more than 5% of the outstanding shares of Solutia common stock, by each of Solutia's directors and named executive officers and by all directors and executive officers of Solutia as a group. Unless otherwise indicated, each person has sole investment and voting power over the securities listed in the table. The business address for each of Solutia's directors and executive officers listed below is c/o Solutia Inc., 575 Maryville Centre Drive, St. Louis, Missouri 63141.

Name Name and Address of Beneficial Owner	Number of Shares of Solutia Common Stock Beneficially Owned	Percent of Class(1)
Invesco Ltd. (2) 1555 Peachtree Street NE Atlanta, Georgia 30309	9,553,767	7.8%
FMR LLC (3) 82 Devonshire Street Boston, Massachusetts 02109	8,216,866	6.7%
The Vanguard Group, Inc. (4) 100 Vanguard Blvd. Malvern, Pennsylvania 19355	6,141,290	5.0%
Executive Officers and Directors		
Jeffry N. Quinn (5)(6)(7)(8)	1,209,667	*
James M. Sullivan (5)(6)(7)	359,120	*
D. Michael Donnelly (6)(7)	50,702	*
Robert T. DeBolt (6)(7)	71,365	*
Paul J. Berra, III (6)(7)	60,890	*
Robert K. deVeer, Jr. (9)	16,227	*

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Edgar G. Hotard (9)	3,659	*
James P. Heffernan (9)	16,235	*
W. Thomas Jagodinski (9)	8,385	*
William T. Monahan (9)	42,005	*
Robert A. Peiser (9)	19,851	*
William C. Rusnack (9)	9,758	*
Gregory C. Smith (9)	20,082	*
All executive officers and directors (20 persons)(10)	2,224,995	1.8%

Table of Contents

* Less than 1%.

- (1) Based on shares of Solutia common stock outstanding on March 1, 2012.
- (2) As reported in a Schedule 13G filed February 14, 2012, as of December 31, 2011, Invesco Ltd. is deemed to beneficially own and has sole voting and dispositive power as to 9,553,767 shares of Solutia common stock. This includes 7,092,342 shares beneficially owned by Invesco Canada Ltd. in its capacity as an investment advisor, 2,394,658 shares beneficially owned by Invesco Advisers, Inc. in its capacity as an investment advisor, 60,289 shares beneficially owned by Invesco PowerShares Capital Management in its capacity as an investment advisor, 6,012 shares beneficially owned by Invesco Investment Advisers, LLC in its capacity as an investment advisor and 463 shares beneficially owned by Invesco PowerShares Capital Management Ireland Ltd. in its capacity as an investment advisor. Each of these entities is a subsidiary of Invesco Ltd., and the address of each of these entities is 1555 Peachtree Street N.E., Atlanta, Georgia 30309.
- (3) As reported in an amended Schedule 13G filed February 14, 2012, as of December 31, 2011, FMR LLC is deemed to beneficially own and has sole voting power as to 680,280 shares of Solutia common stock and sole dispositive power as to 8,216,866 shares. This includes 7,536,586 shares beneficially owned by Fidelity Management & Research Company (Fidelity) in its capacity as an investment advisor. Fidelity is a wholly owned subsidiary of FMR LLC. Edward C. Johnson, III and members of his family own approximately 49% of the voting power of FMR LLC and have certain other rights to influence the management of this entity. The address of FMR LLC and Fidelity is 82 Devonshire Street, Boston, Massachusetts 02109. In addition, 680,280 shares are beneficially owned by Pyramis Global Advisors Trust Company (PGATC), an indirect wholly owned subsidiary of FMR LLC. This entity holds the shares as a result of serving as investment advisor to institutional accounts. The address of PGATC is 900 Salem Street, Smithfield, Rhode Island, 02917.
- (4) As reported in a Schedule 13G filed February 8, 2012, as of December 31, 2011, The Vanguard Group, Inc. is deemed to beneficially own 6,141,290 shares of Solutia common stock, has sole dispositive power as to 6,055,053 shares and has sole voting and shared dispositive power as to 86,237 shares.
- (5) The number of shares of Solutia common stock shown for Messrs. Quinn and Sullivan include 1,716 and 87 shares deliverable upon the exercise of warrants, respectively.
- (6) The number of shares of Solutia common stock shown for Messrs. Quinn, Sullivan, Donnelly, DeBolt and Berra include 164,563, 51,399, 22,339, 29,370 and 25,965 shares, respectively, of time vested restricted stock issued pursuant to the applicable Solutia Equity Plan that have not vested.
- (7) The number of shares of Solutia common stock shown for Messrs. Quinn, Sullivan, Donnelly, DeBolt and Berra include exercisable options to purchase 630,408, 198,559, 13,702, 15,598 and 13,307 shares, respectively.
- (8) The number of shares of Solutia common stock shown for Mr. Quinn include 139,202 shares and 858 shares deliverable upon the exercise of warrants held in trust for the benefit of Mr. Quinn. Also, the number of shares shown for Mr. Quinn includes 138,791 shares and 858 shares deliverable upon the exercise of warrants held in trust for the benefit of Mr. Quinn's wife.
- (9) The number of shares of Solutia common stock shown for Messrs. deVeer, Heffernan, Jagodinski, Monahan, Peiser and Smith include 3,778 shares each and for Messrs. Hotard and Rusnack, 2,264 and 6,506 shares, respectively, of time vested restricted stock issued pursuant to the applicable Solutia Equity Plan that have not vested.
- (10) The number of shares of Solutia common stock shown for all directors and executive officers as a group, including the named executive officers, includes 383,696 shares of unvested restricted stock, 3,778 shares of unvested restricted stock units, 1,802 shares deliverable upon the exercise of warrants and exercisable options to purchase 1,072,459 shares.

Table of Contents

PROPOSALS SUBMITTED TO SOLUTIA STOCKHOLDERS

Adoption of the Agreement and Plan of Merger

(Item 1 on the Solutia Proxy Card)

This proxy statement/prospectus is being furnished to Solutia stockholders as part of the solicitation of proxies by the Solutia board of directors for use at the Solutia special meeting to consider and vote on the proposal to adopt the merger agreement. **IF SOLUTIA STOCKHOLDERS FAIL TO ADOPT THE MERGER AGREEMENT, THE MERGER CANNOT BE COMPLETED.** Holders of Solutia common stock should read this proxy statement/prospectus carefully and in its entirety, including the annexes, for more detailed information concerning the merger agreement and the merger. A copy of the merger agreement is attached to this proxy statement/prospectus as *Annex 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 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 has directed that the merger agreement be submitted to Solutia stockholders for adoption at the Solutia special meeting.

The affirmative vote of the holders of a majority of the outstanding shares of Solutia common stock entitled to vote at the Solutia special meeting is required to adopt the merger agreement.

The Solutia board of directors recommends that its stockholders vote FOR the adoption of the merger agreement.

Non-Binding Advisory Vote on Golden Parachute Compensation

(Item 2 on the Solutia Proxy Card)

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) and Rule 14a-21(c) under the Exchange Act require Solutia to provide its stockholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to the named executive officers of Solutia that is based on or otherwise relates to the merger (also known as golden parachute compensation).

Accordingly, Solutia is requesting that holders of Solutia common stock approve the following resolution:

RESOLVED, that the stockholders of Solutia Inc. approve, on a non-binding advisory basis, the compensation that may be paid or become payable to its named executive officers that is based on or otherwise relates to the merger, as disclosed in the proxy statement/prospectus relating to the Solutia special meeting in the table entitled Golden Parachute Compensation, including the related narrative discussion, as disclosed under the heading Payments to Solutia Named Executive Officers Contingent Upon the Merger, and the agreements or understandings pursuant to which such compensation may be paid or become payable.

Approval of this proposal is not a condition to completion of the merger. As this is an advisory vote, the result will not be binding on Solutia or on Eastman, or the board of directors or the compensation committees of Eastman or Solutia. Accordingly, such compensation, including amounts that Solutia is contractually obligated to pay, could still be payable regardless of the outcome of this advisory vote, subject only to the conditions applicable thereto.

Table of Contents

The Solutia board of directors recommends that holders of Solutia common stock vote FOR the approval, on a non-binding, advisory basis, of the compensation that may be paid or become payable to its named executive officers that is based on or otherwise relates to the merger, as disclosed pursuant to the compensation disclosure rules of the SEC.

Adjournment Proposal

(Item 3 on the Solutia Proxy Card)

The Solutia special meeting may be adjourned to another time or place, if necessary or appropriate, to permit, among other things, further solicitation of proxies if necessary to obtain additional votes in favor of the adoption of the merger agreement.

If, at the Solutia special meeting, the number of shares of Solutia common stock present or represented and voting in favor of the adoption of the merger agreement is insufficient to approve such proposal, Solutia intends to move to adjourn the Solutia special meeting in order to solicit additional proxies for the adoption of the merger agreement. In accordance with the Solutia Bylaws, a vote to approve the proposal to adjourn the Solutia special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Solutia special meeting to adopt the merger agreement may be taken in the absence of a quorum. Solutia does not intend to call a vote on this proposal if Proposal 1 for the adoption of the merger agreement has been approved at the Solutia special meeting.

In this proposal, Solutia is asking its stockholders to authorize the holder of any proxy solicited by the Solutia board of directors to vote in favor of granting discretionary authority to proxy holders, and each of them individually, to adjourn the Solutia special meeting to another time and place for the purpose of soliciting additional proxies. If Solutia stockholders approve this adjournment proposal, Solutia could adjourn the Solutia special meeting and any adjourned session of the Solutia special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from Solutia stockholders who have previously voted.

The Solutia board of directors recommends that holders of Solutia common stock vote 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.

Table of Contents

THE MERGER

*This section of the proxy statement/prospectus describes the material aspects of the proposed merger. This section may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus and the documents incorporated herein by reference, including the full text of the merger agreement, which is attached as Annex A, for a more complete understanding of the merger. In addition, important business and financial information about each of Eastman and Solutia is incorporated into this proxy statement/prospectus by reference and is included in the Annexes hereto. See *Where You Can Find More Information* beginning on page 161.*

Effect of the Merger

Upon completion of the merger, Merger Sub, an indirect wholly owned subsidiary of Eastman, will merge with and into Solutia. Solutia will be the surviving corporation in the merger and will become an indirect wholly owned subsidiary of Eastman.

Treatment of Solutia Common Stock

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. Each share of Solutia common stock owned by Solutia as treasury stock will be cancelled without consideration.

Treatment of Solutia 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 trading 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 trading days prior to the merger).

Treatment of 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 (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).

Table of Contents

Treatment of Solutia Warrants

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.

Other Effects

The rights pertaining to Eastman common stock will be different from the rights pertaining to Solutia common stock, because the Eastman Charter and the Eastman Bylaws in effect immediately after the completion of the merger will be different from the Solutia Charter and the Solutia Bylaws, respectively. A further description of the rights pertaining to Eastman common stock and the Eastman Charter and the Eastman Bylaws is set forth under *Comparison of Rights of Holders of Eastman Common Stock and Solutia Common Stock* beginning on page 148.

Financing for the Merger

On January 26, 2012, in connection with its entry into the merger agreement, Eastman entered into an agreement with Citigroup Global Markets Inc. (*Citi*) and Barclays Bank PLC (the *commitment*), which contained commitments for a \$3.5 billion senior unsecured bridge term loan facility and set out the principal terms of a senior unsecured term loan facility for up to \$1.25 billion, with any commitments in respect of the term loan facility reducing on a dollar-for-dollar basis commitments under the bridge term loan facility.

Thereafter, on February 29, 2012, Eastman entered into a Five-Year Senior Term Loan Credit Agreement (the *Term Loan Agreement*) with the initial lenders named therein, Citibank, N.A., as administrative agent, Citi and Barclays Capital Inc. (*Barclays*), as joint lead arrangers, and Barclays, as syndication agent. Upon entry into the Term Loan Agreement, the parties' commitments relating to a term loan facility under the commitment were replaced and terminated. The terms of the Term Loan Agreement were substantially in accordance with the terms set forth in the commitment for the term loan facility.

The Term Loan Agreement provides for a \$1.2 billion term loan facility, the proceeds of which are expected to be used by Eastman to finance, in part, the cash portion of the consideration to be paid by Eastman in the merger and to pay a portion of the related fees and expenses, which may include the repayment of certain outstanding borrowings of Solutia.

Funding under the Term Loan Agreement is subject to customary conditions for financings of this type. In addition, funding is also subject to the closing of the merger.

Borrowings under the Term Loan Agreement will be unsecured, and will bear interest at a variable base rate or a variable Eurodollar rate based on the London Interbank Offered Rate (*LIBOR*), at Eastman's election. Interest on base rate loans will be equal to the highest of: (1) the Federal Funds Rate plus 0.5%; (2) the agent's daily prime rate; and (3) 1.0% per annum plus the Eurodollar rate (described below) plus, in each case, an applicable margin that may range from 12.5 basis points to 125 basis points, depending on Eastman's unsecured credit rating. Interest on Eurodollar rate loans will be determined by reference to LIBOR plus an applicable margin that may range from 112.5 basis points to 225 basis points, depending on Eastman's unsecured credit rating.

Borrowings under the Term Loan Agreement will amortize in quarterly installments from the date of borrowing as follows: (1) 10% annually in the first year after the date of borrowing; (2) 15% annually in the second year after the date of borrowing; (3) 20% annually in the third year after the date of borrowing; (4) 25%

Table of Contents

annually in the fourth year after the date of borrowing; and (5) 30% annually in the fifth year after the date of borrowing. Borrowings outstanding under the Term Loan Agreement will be due and payable five years from the date of closing of the merger.

The Term Loan Agreement contains customary events of default, representations, warranties and covenants, including a financial covenant that requires Eastman to comply with a leverage ratio specified therein. Also in connection therewith, Eastman has agreed to pay the lenders thereunder customary fees, including a commitment fee based upon the undrawn portion of commitments under the Term Loan Agreement.

Also, on February 29, 2012, Eastman entered into a Senior Bridge Term Loan Credit Agreement (the Bridge Loan Agreement) with the initial lenders named therein, Citibank N.A., as administrative agent, Citi and Barclays, as joint lead arrangers, Barclays, as syndication agent, and Bank of America, N.A., JPMorgan Chase Bank, N.A., RBS Securities Inc. and Wells Fargo Bank, National Association, as co-arrangers. The Bridge Loan Agreement was also entered into pursuant to the terms of the commitment, and the terms contained in the Bridge Loan Agreement were substantially in accordance with the terms set forth in the commitment therefor. Upon entry into the Bridge Loan Agreement, the parties commitments relating to a bridge loan facility under the commitment were terminated.

The Bridge Loan Agreement provides for a \$2.3 billion bridge loan facility, any proceeds of which may be used by Eastman to finance, in part, the cash portion of the consideration to be paid by Eastman in the merger, and to pay a portion of the related fees and expenses, which may include the repayment of certain outstanding borrowings of Solutia. Depending upon market conditions, Eastman may offer new debt securities prior to or following the completion of the merger. The commitments of the lenders under the Bridge Loan Agreement are to be reduced on a dollar-for-dollar basis by any proceeds Eastman receives from any offering of its debt securities that it may undertake.

Borrowing under the Bridge Loan Agreement is subject to customary conditions for financings of this type. In addition, funding is also subject to the closing of the merger. Any borrowings outstanding under the Bridge Loan Agreement would be due and payable on the date that is 364 days from the date of closing of the Merger.

Any borrowings by Eastman under the Bridge Loan Agreement will be unsecured, and will bear interest at a variable base rate or a variable Eurodollar rate based on LIBOR, at Eastman's election. Interest on base rate loans will be equal to the highest of: (1) the Federal Funds Rate plus 0.5%; (2) the agent's daily prime rate; and (3) 1.0% per annum plus the Eurodollar rate (described below) plus, in each case, an applicable margin described in the Bridge Loan Agreement that may range from 25 basis points to 275 basis points, depending on Eastman's unsecured credit rating and the number of days from the closing date of the merger. Interest on Eurodollar rate loans will be determined by reference to LIBOR plus an applicable margin described in the Bridge Loan Agreement that may range from 125 basis points to 375 basis points, depending on Eastman's unsecured credit rating and the number of days from the closing date of the merger.

In connection with entering into the Bridge Loan Agreement, Eastman has agreed to pay the lenders thereunder customary fees, including: (1) a commitment fee based upon the undrawn portion of commitments under the Bridge Loan Agreement; (2) a duration fee equal to a specified percentage of the aggregate principal amount of the outstanding borrowings under the Bridge Loan Agreement, if any; and (3) a funding fee based upon the aggregate amount of the outstanding borrowings under the Bridge Loan Agreement, if any.

The Bridge Loan Agreement contains customary events of default, representations, warranties and covenants, including a financial covenant that requires Eastman to comply with a leverage ratio specified in the Bridge Loan Agreement.

As discussed in footnote 4(n) to the unaudited pro forma condensed combined financial statements and for purposes thereof, Eastman has assumed it will finance the cash portion of the merger consideration with the proceeds from an offering of debt securities and borrowings under the Term Loan Agreement, and that it will not borrow under the Bridge Loan Agreement.

Table of Contents

Some of the potential lenders under each of the Term Loan Agreement and the Bridge Loan Agreement (and their respective subsidiaries or affiliates) have in the past provided, and may in the future provide, investment banking, underwriting, lending, commercial banking, trust and other advisory services to Eastman and its subsidiaries and affiliates. These parties have received, and may in the future receive, customary compensation from Eastman and its subsidiaries and affiliates for such services.

Background of the Merger

The senior management and boards of directors of each of Solutia and Eastman actively monitor and assess developments in the chemical industry and are generally aware of the business activities of other major chemical companies, including each other's activities.

In addition, on an ongoing basis, the board of directors and senior management of Solutia evaluate options for achieving Solutia's long-term strategic goals and enhancing stockholder value. These options have included periodic assessments of potential business combinations with other chemical companies.

On February 28, 2008, Solutia consummated its reorganization under the protection of the bankruptcy code and emerged from bankruptcy. Continuing through its bankruptcy proceedings, Solutia regularly evaluated potential transactions as a means of realizing the greatest value of Solutia. For example, leading up to the consummation of its reorganization, it solicited interest in and considered several transactions as a method to reorganize under the bankruptcy code, including the possible sale of the company (in whole or by its component parts) through a formal sale process under the supervision of the bankruptcy court. After exploring all options to maximize the value of the bankruptcy estate, the Solutia board of directors concluded that emergence from bankruptcy as a reorganized, stand-alone company was in the best interests of Solutia stakeholders.

Continuing through its bankruptcy proceedings (as a key element of its reorganization strategy) and during the period following its emergence from bankruptcy, Solutia made several changes to its asset portfolio to enhance the value of Solutia. These changes included making strategic investments in its core businesses, exiting certain unprofitable businesses and facilities and divesting non-core assets. As a result of these changes, Solutia transformed its operations into a pure-play performance materials and specialty chemicals company, with a portfolio of high-value, high-potential products with world-leading market positions. For example, during its bankruptcy, Solutia (through its joint venture with FMC Corporation, Astaris LLC) sold substantially all of the assets of Astaris LLC to Israel Chemicals Limited in 2005, acquired all of the shares of its Quimica joint venture that it did not already own from Vitro S.A. de C.V. in 2006 to enhance its Saflex business, acquired all of the shares of its Flexsys joint venture that it did not already own from Akzo Nobel N.V. in 2007 and divested its Dequest water treatment phosphonates business to Thermphos Trading GmbH in 2007. During this period, Solutia also closed several plants and plant lines for its businesses and invested in alternative plant lines. In addition, during its bankruptcy proceedings, Solutia significantly restructured its nylon business, which was capital intensive and subject to high raw material price volatility, and later sold its nylon business in 2009 following a sale process for the business that began shortly after its emergence from bankruptcy. As a result of these changes and culminating in the sale of the nylon business, Solutia had oriented its businesses towards higher margin specialty chemical operations.

Following this transformation of Solutia's asset portfolio, the board of directors and senior management of Solutia continued to regularly evaluate transactions that could achieve Solutia's long-term strategic goals and enhance stockholder value. As a result of these efforts, Solutia acquired Etimex Solar GmbH and Novomatrix Pte. Ltd. in 2010 and Southwall Technologies Inc. in 2011, and made several other strategic investments in its facilities and technology in the preceding several years. The Solutia board of directors and senior management evaluated several other significant potential acquisitions and business combination transactions during Solutia's bankruptcy period and continuing through late 2011. However, given the capital structure and leverage of Solutia and trading prices of Solutia common stock following Solutia's emergence from bankruptcy protection, most of the other potential acquisition opportunities that were known to Solutia and that could reasonably be completed by Solutia would not add value to Solutia by a material amount, would not be logical complements to Solutia's

Table of Contents

existing portfolio of assets in the specialty chemicals industry, would result in a significant amount of additional leverage being incurred by Solutia (which would have exposed Solutia to significant risk as a result of the existing leverage of the company) and/or would result in significant dilution to Solutia stockholders, and thus these other acquisitions were not completed.

In addition, following Solutia's emergence from bankruptcy protection, the board of directors and senior management of Solutia, acting regularly through Jeffrey N. Quinn, Chairman of the Board, President and Chief Executive Officer of Solutia, and in regular consultation with the other members of the Solutia board of directors, continued to evaluate and pursue multiple paths to enhance stockholder value, including through improvements to the stand-alone operations of the company, possible acquisitions to increase the size and scope of the operations of the company and a possible sale of Solutia or significant business combination with another specialty chemical company. In particular, the Solutia board of directors sought to increase the size and scope of Solutia when reasonably possible because it believed that a larger company would be a stronger, more competitive and more valuable company to Solutia stockholders, investors and possible acquirors of the company over the long term. In connection with these activities, Solutia has received and considered indications of interest for the possible acquisition of the company or other strategic business combinations involving the company. In particular, in the Fall of 2009, it received an indication of interest from a foreign chemical company, which potentially would have partnered with a private equity firm, which private equity firm we refer to as Party A, about a potential acquisition of Solutia. While the foreign chemical company entered into a confidentiality and standstill agreement with Solutia and engaged in some further discussions regarding this acquisition, the foreign chemical company ultimately did not make a definitive proposal to acquire Solutia. In addition, in the Summer and early Fall of 2010, a U.S.-based chemical company, which we refer to as Party B, and another foreign chemical company each separately informed Solutia that it was interested in partnering with another company to acquire Solutia and would divide up Solutia's businesses between itself and its acquisition partner through the transaction. Neither Party B nor the other foreign chemical company received any confidential information, executed a confidentiality or standstill agreement with Solutia or submitted any definitive indications of interest during these discussions prior to the beginning of 2012. Several private equity firms also have expressed an interest in the possible acquisition of Solutia from time to time. Mr. Quinn engaged in discussions with those private equity firms that had existing portfolio companies or assets in the chemical or specialty chemical industries and he believed could grow those portfolio companies by an acquisition of Solutia and realize strategic benefits of the combination and therefore could share incremental value to Solutia stockholders by virtue of these benefits. In particular, Party A and another private equity firm that we refer to as Party C periodically expressed an interest in acquiring Solutia in 2011, although neither Party A nor Party C received any confidential information, executed a confidentiality or standstill agreement with Solutia or submitted any definitive indications of interest during or following these discussions prior to the beginning of 2012. In addition, in the Spring of 2010, a third private equity firm expressed an interest in acquiring Solutia (either directly or through one of its portfolio companies in the specialty chemical industry), entered into a confidentiality and standstill agreement with Solutia and reviewed certain nonpublic information. Following further consideration of transaction alternatives, this private equity firm ultimately determined that it was interested in acquiring only a minority of the equity of Solutia and indicated, on a preliminary basis, that it would be prepared to offer to pay approximately \$17.00 per share for that minority position. The Solutia board of directors considered this indication of interest in June 2010 and determined that it was not in the best interests of Solutia.

As a result of these transactions, discussions and its periodic review of potentially available transactions and acquisitions through Solutia's bankruptcy proceedings and since that time, Solutia believes it is generally aware of the opportunities for strategic transactions and acquisitions involving companies in the chemical industry generally and Solutia in particular.

Eastman and Solutia have from time to time discussed or been involved in discussions related to Eastman acquiring some or all of Solutia. For example, in the late 1990s, prior to and shortly following Solutia's spin-off from Monsanto Company, Eastman, Monsanto Company (prior to its spin-off of Solutia) and Solutia (following the spin-off) discussed a possible business combination between Solutia and Eastman, including a possible merger. In addition, Eastman was considered by Party B as a potential party with whom Party B could discuss a possible joint

Table of Contents

acquisition of Solutia in the Summer and early Fall of 2010 (with Party B's expectation that Eastman would obtain some of Solutia's businesses following a possible joint acquisition), although no formal discussions took place between executives of Solutia and Eastman related to this proposed joint acquisition.

On March 5, 2009, the closing price of Solutia common stock reached its all-time low (since Solutia's emergence from bankruptcy protection) of \$1.18 per share.

In June 2010, at a meeting of the American Chemistry Council in Colorado Springs, Colorado, Mr. Quinn and Nadim Qureshi, presently Senior Vice President of Corporate Development-Emerging Markets & President of Photovoltaics of Solutia and at the time Senior Vice President, Corporate Strategy and Development of Solutia, met with James P. Rogers, currently the Chairman and Chief Executive Officer and at that time President and Chief Executive Officer of Eastman, and Mark J. Costa, Executive Vice President, Specialty Polymers, Coatings and Adhesives, and Chief Marketing Officer of Eastman, to introduce themselves to each other and to discuss their respective companies, a customary practice at such meetings. During this meeting, Messrs. Quinn, Qureshi, Rogers and Costa discussed in general terms the possibility of a transaction between Solutia and Eastman but did not discuss any specific terms or proposals related to a transaction.

On April 29, 2011, the closing price of Solutia common stock reached its all-time high (prior to the announcement of the merger) of \$26.35 per share.

In mid-July 2011, Mr. Rogers contacted Mr. Quinn to schedule a further meeting between them. Mr. Rogers referred to their prior meeting at the American Chemistry Council meetings over a year earlier and asked to revisit the discussions they had previously held.

On August 4, 2011, the finance committee of the Eastman board of directors, which consists of all of the members of the Eastman board of directors other than Mr. Rogers (the Eastman finance committee) and the Eastman board of directors each held a regular meeting. At the respective meetings, each received an update from Eastman's management on Eastman's review of possible opportunities for inorganic growth, including the possible consideration of the acquisition of Solutia, and Mr. Rogers was authorized to contact Mr. Quinn. References in this Background of the Merger section to the Eastman board of directors (or any committee thereof), in the context of considering, evaluating, obtaining information about, or being involved in any discussions or deliberations regarding, Solutia or the merger exclude Brett D. Begemann, a member of the Eastman board of directors and an Executive Vice President of Monsanto Company (of which Solutia was a part prior to its spin-off in 1997), who recused himself from consideration, evaluation, receipt of information about or involvement in any discussions or deliberations regarding Solutia or the merger.

On August 11, 2011, Messrs. Quinn and Rogers had a dinner meeting in New York City. During this dinner meeting, Mr. Rogers expressed Eastman's preliminary interest in acquiring Solutia. Mr. Rogers explained that the Eastman board of directors had undertaken a review of opportunities for inorganic growth, including through mergers and acquisitions, during the Summer of 2011 and that Eastman had identified Solutia as a possible acquisition candidate. Mr. Rogers explained that he did not think it was best to make a specific proposal at the present time (noting the significant overall recent market volatility and its impact on market valuations on both a specific and overall basis). However, Mr. Rogers inquired about whether Mr. Quinn thought the Solutia board of directors would be receptive to receiving a proposal to acquire Solutia in the near future and any impediments to Eastman making a proposal. Mr. Quinn responded that he would be willing to consider, together with the Solutia board of directors, a proposal for the acquisition of Solutia by Eastman if the proposal would be in the best interests of Solutia stockholders. Following this dinner meeting, Mr. Quinn informed the Solutia board of directors about this discussion. Mr. Rogers provided a similar update to the Eastman board of directors.

On October 5 and 6, 2011, the Eastman board of directors held a regular meeting at which it received a further update from Eastman's management on its continued consideration of a possible acquisition of Solutia.

Table of Contents

On October 6, 2011, Mr. Quinn had a lunch meeting in New York City with representatives of Citi, one of Eastman's financial advisors. During the lunch meeting, the representatives of Citi inquired about whether Solutia would be receptive to continuing to discuss an acquisition of Solutia by Eastman as had been discussed at the August 11 dinner meeting. The representatives noted that Eastman remained interested in acquiring Solutia. Mr. Quinn responded that he would be willing to consider, together with the Solutia board of directors, a proposal for the acquisition of Solutia by Eastman if the proposal would be in the best interests of Solutia stockholders.

In mid-October 2011, Mr. Rogers contacted Mr. Quinn to schedule a further meeting to continue to discuss recent developments related to their companies. Following this discussion, Mr. Quinn consulted with representatives of Deutsche Bank about the possible acquisition of Solutia by Eastman. Solutia had retained Deutsche Bank on prior unrelated transactions and began to consult with Deutsche Bank in mid-October 2011 regarding the potential transaction with Eastman as Solutia's financial advisor, although the fee arrangement with Deutsche Bank was not approved by the Solutia board of directors until December 22, 2011 and the engagement letter with Deutsche Bank was not executed until early January 2012.

Also in mid-October 2011, members of Eastman's management met with representatives of Barclays and Citi in Kingsport, Tennessee to discuss Eastman's possible acquisition of Solutia. Each of Barclays and Citi had previously provided certain financial advisory services (on unrelated matters) to Eastman, although Eastman did not formally engage either firm relating to their respective service in connection with the merger until December 2011 and January 2012, respectively.

During the week of October 17, 2011, the Solutia board of directors held a regular meeting, which was held at Solutia's facilities in China. On October 19, 2011, as part of these board meetings, Mr. Quinn informed the Solutia board of directors that Mr. Rogers had invited him to meet and, based on those discussions, Mr. Quinn predicted that Mr. Rogers could be preparing to submit an indication of interest on behalf of Eastman to acquire Solutia in the near future.

On October 25, 2011, Messrs. Quinn and Rogers had a dinner meeting in Cincinnati, Ohio. At the meeting, Mr. Rogers explained that Eastman had a continuing interest in an acquisition of Solutia and wanted to make a more definitive proposal for the acquisition at the present time. Based on publicly available information and subject to customary qualifications, Mr. Rogers indicated that Eastman would be interested in acquiring Solutia for \$23.00 per share. The value of such proposal represented a premium of approximately 46% to the closing price per share of Solutia common stock of \$15.80 on October 24, 2011, the previous trading day. Mr. Quinn responded that he would discuss the indication of interest with the Solutia board of directors and respond to Mr. Rogers. Following this dinner meeting, Mr. Quinn informed the Solutia board of directors about this discussion. In addition, Mr. Quinn consulted with representatives of each of Deutsche Bank and Moelis about the possible acquisition of Solutia by Eastman. Solutia had retained Moelis on prior unrelated transactions and began to consult with Moelis in late October 2011 regarding the potential transaction with Eastman as Solutia's financial advisor, although the fee arrangement with Moelis was not approved by the Solutia board of directors until December 22, 2011 and the engagement letter with Moelis was not executed until early January 2012.

On November 1, 2011, the Solutia board of directors held a special meeting by teleconference. A representative of Kirkland & Ellis LLP (Kirkland & Ellis), Solutia's legal counsel, attended the meeting. At the meeting, Mr. Quinn provided an update to the Solutia board of directors regarding his discussion with Mr. Rogers and Eastman's indication of interest. After discussion, the Solutia board of directors determined that Mr. Quinn should respond to Eastman by stating that Solutia was not for sale and that the Solutia board of directors was not interested in engaging in discussions concerning the transaction proposed by Eastman at the indicated price level.

On November 2, 2011, Mr. Quinn contacted Mr. Rogers and informed him that Solutia was not for sale and that the Solutia board of directors was not interested in engaging in the transaction proposed by Eastman at the price level indicated. Mr. Rogers expressed his disappointment with the response to Eastman's indication of interest but expressed his belief that Eastman would continue to be interested in acquiring Solutia.

Table of Contents

On November 8, 2011, Mr. Quinn had a meeting in New York City with a representative of Citi. During the meeting, the representative of Citi conveyed Eastman's disappointment with the response to Eastman's indication of interest and Eastman's desire to continue to pursue an acquisition of Solutia by Eastman if Solutia was willing to discuss the possible acquisition. Mr. Quinn responded that he was willing to consider, together with the Solutia board of directors, a proposal for the acquisition of Solutia by Eastman if the proposal would be in the best interests of Solutia stockholders.

On or about November 18, 2011, Mr. Rogers contacted Mr. Quinn to continue to discuss an acquisition of Solutia by Eastman. Mr. Rogers explained that Eastman remained focused on and interested in the possible acquisition, was willing to consider increasing its proposed price, was working to better understand what price it was prepared to pay and would be back in touch shortly with a revised indication of interest, which he expected to put in a letter to be shared with the Solutia board of directors.

At its regularly scheduled meeting on November 30, 2011, the Eastman finance committee received a further update from Eastman's management on Eastman's consideration and valuation of Solutia in connection with a possible acquisition.

On December 2, 2011, Mr. Rogers contacted Mr. Quinn and told him that he expected to send a letter later in the day containing a proposal for Eastman to acquire Solutia. Later on December 2, 2011, Mr. Rogers sent a letter to Mr. Quinn in which Mr. Rogers proposed that Eastman would acquire Solutia for a price of \$25.75 per share, payable in a combination of cash and a shares of Eastman common stock (with the shares of Eastman common stock representing up to 20% of the total consideration). The value of such proposal represented a premium of approximately 60% to the closing price per share of Solutia common stock of \$16.13 on December 1, 2011, the previous trading day. This proposal was non-binding and subject to customary qualifications, including the need to conduct confirmatory due diligence and negotiate definitive documentation for the transaction. Mr. Rogers indicated that Eastman could complete its due diligence review and negotiate definitive documentation within four weeks. In the proposal, Mr. Rogers stated that Eastman expected Solutia would agree to negotiate exclusively with Eastman for a period of 30 days. Mr. Rogers also sent a proposed form of a confidentiality agreement to facilitate the sharing of due diligence information, which form of agreement did not include a standstill provision. In addition, in connection with the delivery of the letter, Curtis E. Espeland, Senior Vice President and Chief Financial Officer of Eastman, sent Mr. Quinn an initial information request list to facilitate Eastman's due diligence review of Solutia. During their conversation in advance of sending the letter, Mr. Rogers explained that, based on the current trading price of Solutia common stock, Eastman was considering purchasing shares of Solutia common stock on the open market. Mr. Quinn contacted Mr. Rogers shortly thereafter and explained that he thought Eastman should not acquire shares of Solutia common stock on the open market, in part because doing so may impact the tone of discussions of a negotiated transaction. Eastman ultimately did not acquire any shares of Solutia common stock.

On December 5 and 6, 2011, the Solutia board of directors held a regular meeting at Solutia's headquarters in St. Louis, Missouri. On December 6, 2011, the Solutia board of directors discussed the December 2 letter from Eastman. Representatives of each of Deutsche Bank, Moelis and Kirkland & Ellis attended this portion of the regular meeting. At the meeting, representatives of Kirkland & Ellis made a presentation on the fiduciary duties of the directors in the context of considering the proposal from Eastman, and they also provided a summary of Solutia's organizational documents and rights plan. Representatives of Deutsche Bank and Moelis made a presentation regarding their preliminary financial analyses of the proposal, background information on Eastman, alternatives available to Solutia (including continuing to operate as a stand-alone company, acquisitions, divestitures, strategic business combinations and a sale of the company) and other parties that may be interested in acquiring Solutia. During the meeting, the Solutia board of directors discussed Solutia's outlook as a stand-alone company, including its long-range plan, execution risks related to the long-range plan and risks related to the macroeconomic assumptions that had been used in preparing the long-range plan. The Solutia board of directors also discussed the proposal from Eastman, possible responses to the proposal, which third parties might also be interested in acquiring Solutia and whether at the present time to contact some of those third parties to get

Table of Contents

additional information about the alternatives available to Solutia. Following discussion, the Solutia board of directors determined that Solutia should respond to Eastman's proposal by informing Eastman that Solutia was not for sale and that the Solutia board of directors believed that Eastman's proposal for an acquisition at a price of \$25.75 per share was inadequate, however, the Solutia board of directors would be willing to continue discussions with Eastman and provide due diligence information to Eastman to see if Eastman could make a proposal at a price that may be attractive if Eastman executed a confidentiality agreement with a customary standstill provision. The Solutia board of directors decided to wait until it had additional information about Eastman's level of interest before determining whether to contact third parties.

On December 7, 2011, Mr. Quinn contacted Mr. Rogers and informed him that Solutia was not for sale and that the Solutia board of directors believed that Eastman's proposal of \$25.75 per share was inadequate but that the Solutia board of directors would be willing to continue discussions with Eastman and provide due diligence information to Eastman if Eastman executed a confidentiality agreement with a customary standstill provision. Later that day, Paul J. Berra, III, Senior Vice President, Legal and Governmental Affairs and General Counsel of Solutia, sent a proposed form of confidentiality and standstill agreement to Theresa K. Lee, Senior Vice President, Chief Legal and Administrative Officer of Eastman. The proposed form of confidentiality and standstill agreement did not provide for a period of exclusive negotiations for Eastman's benefit.

On December 8, 2011, Mr. Rogers contacted Mr. Quinn to discuss the proposed standstill provision, during which conversation he also inquired about the absence of an exclusivity period for Eastman's benefit in the proposed form of confidentiality and standstill agreement, as had been requested in its December 2 letter. During that conversation and in subsequent discussions between Solutia's and Eastman's respective advisors, the representatives of Solutia explained that Solutia would not agree to an exclusivity period. During the balance of December 8 and on the following day, representatives of Kirkland & Ellis, on behalf of Solutia, and Jones Day, Eastman's legal counsel, negotiated the terms of the confidentiality and standstill agreement.

On December 9, 2011, Solutia and Eastman executed the confidentiality and standstill agreement.

On December 12, 2011, the Solutia board of directors held a special meeting by teleconference. Representatives of each of Deutsche Bank, Moelis and Kirkland & Ellis attended the meeting. At the meeting, members of Solutia's senior management provided an update to the Solutia board of directors regarding their recent discussions with Eastman's senior management, the execution of the confidentiality and standstill agreement and the planned schedule for providing due diligence information to Eastman. In addition, the Solutia board of directors and its advisors discussed several factors related to whether the Solutia board of directors should contact third parties at the present time and if so what third parties to contact. These factors included the likelihood of interest from several possible parties, who were the most likely interested parties (and the reasons for possible conclusions about interest levels of parties), the risk of a leak of the discussions by contacting parties and how the risk of a leak increases as a greater number of parties are contacted and the likelihood that contacting third parties would create competitive pressures on Eastman, among other factors. Following discussion, the Solutia board of directors determined that it would wait to get additional information from Eastman about its level of interest before determining whether to contact other potentially interested parties and agreed to reconvene after a management presentation was made to Eastman.

On December 15, 2011, Solutia hosted an investor day in New York City at which it presented information to investors regarding its long-range plan while noting several of the challenges in executing Solutia's long-range plan.

On December 17 and 18, 2011, several members of the Solutia board of directors discussed whether it was advisable for the Solutia board of directors to retain its own financial advisor and special legal counsel to provide the Solutia board of directors with additional assistance in analyzing the proposal from Eastman and, if determined advisable by the Solutia board of directors, other potential transactions that may be available to Solutia and refining a process for considering the Eastman proposal and pursuing other possible proposals. These

Table of Contents

members of the Solutia board of directors thought it would be helpful to retain advisors with no prior advisory relationship with Solutia and who would receive fees that were not dependent on the outcome of the transaction. Following these discussions, on December 20, 2011, certain of these members of the Solutia board of directors contacted Perella Weinberg to discuss potentially retaining Perella Weinberg as the Solutia board of directors' financial advisor, and Faegre & Benson LLP, which has since become Faegre Baker Daniels LLP (Faegre), to discuss potentially retaining Faegre as the Solutia board of directors' special legal counsel.

On December 19 and 20, 2011, several members of Solutia's senior management (including Mr. Quinn, James M. Sullivan, Executive Vice President and Chief Financial Officer of Solutia, D. Michael Donnelly, Executive Vice President and Chief Operating Officer of Solutia, and Mr. Berra) gave a presentation in St. Louis, Missouri about Solutia and its businesses to several members of Eastman's senior management and representatives of Citi and Barclays, Eastman's financial advisors. In advance of this presentation, on December 15, 2011, representatives of Deutsche Bank and Moelis sent selected financial information related to Solutia (in particular summary data related to Solutia's long-range plan) to representatives of Eastman, Citi and Barclays.

Beginning shortly after this management presentation and continuing until just prior to the execution of the merger agreement on January 26, 2012, Solutia and its representatives and Eastman and its representatives held several in-person and telephonic conferences to discuss due diligence matters and Solutia established a virtual data room to disseminate documentation responsive to Eastman's due diligence requests, to which Eastman and its advisors were granted access on December 23, 2011.

On December 21, 2011, the Solutia board of directors held a special meeting by teleconference. Representatives of each of Deutsche Bank, Moelis and Kirkland & Ellis attended the meeting. At the meeting, the Solutia board of directors discussed the retention of Perella Weinberg and Faegre as the Solutia board of directors' financial advisor and special legal counsel, respectively. The Solutia board of directors discussed the ownership by Perella Weinberg's asset management division of shares of Solutia common stock and Perella Weinberg's internal policies and procedures, including information barriers, regarding its asset management division. The Solutia board of directors concluded that the financial advisors providing financial advice would not be influenced by Perella Weinberg's holdings in Solutia common stock. The Solutia board of directors discussed the expected roles of Perella Weinberg and Faegre and approved the retention of these advisors, although the engagement letter with Perella Weinberg was not executed until January 2012. Members of Solutia's senior management and representatives of Deutsche Bank and Moelis also provided an update to the Solutia board of directors regarding the recent management presentations, the planned schedule for providing due diligence information and their view of the seriousness of Eastman's interest in the transaction. As had been discussed at its December 12 meeting, the Solutia board of directors discussed whether it should contact at the present time third parties that might be interested in acquiring Solutia. In particular the Solutia board of directors discussed balancing the potential benefits of contacting potentially interested third parties at the present time (including both creating competitive pressure on Eastman to increase its proposed price and gaining additional information through feedback from potentially interested third parties) against the potential risks of doing so (including both the possibility that doing so would create momentum towards a sale of Solutia before the Solutia board of directors had determined whether a sale at the present time was in the best interests of Solutia and its stockholders and the risk of a leak of information limiting the Solutia board of directors' negotiating leverage and alternatives to seek to enhance stockholder value). Following discussion, the Solutia board of directors determined that it would discuss this matter with Perella Weinberg before deciding whether to contact third parties.

On December 22, 2011, the Solutia board of directors held a special meeting by teleconference. Representatives of each of Perella Weinberg, Kirkland & Ellis and Faegre attended the meeting. At the meeting, representatives of Perella Weinberg presented their initial observations with respect to the decisions facing the Solutia board of directors regarding the possible acquisition of Solutia by Eastman, and in particular whether it was advisable at the present time to contact third parties that may be interested in acquiring Solutia. Following

Table of Contents

discussion, the Solutia board of directors determined that it would have Perella Weinberg complete its preliminary financial analyses of Solutia and the proposal before deciding whether to contact third parties. In the meantime, the Solutia board of directors expressed an interest in Solutia senior management managing the interaction with Eastman to provide additional time for Perella Weinberg to complete its preliminary financial analyses over the upcoming holidays.

During the last week of December 2011 and the first week of January 2012, Eastman and its advisors continued to conduct its due diligence review of Solutia and Solutia participated in a series of due diligence calls with members of Solutia's management.

On January 3, 2012, the Solutia board of directors held a special meeting by teleconference. Representatives of each of Deutsche Bank, Moelis, Perella Weinberg, Kirkland & Ellis and Faegre attended the meeting. At the meeting, representatives of Perella Weinberg provided an update on the analyses being undertaken by Perella Weinberg and its preliminary conclusions. Representatives of Deutsche Bank and Moelis provided an update on Solutia's assistance with Eastman's due diligence review process, with Solutia's emphasis being on helping Eastman understand the value proposition presented by the acquisition of Solutia, including synergies and growth opportunities in Asia. The representatives of Deutsche Bank and Moelis expressed their view that Eastman was fully engaged in the review process and was proceeding in a manner that is typical of a sincere and interested buyer. They also reminded the Solutia board of directors that they had continued to inform Eastman's financial advisors that Solutia was expecting Eastman to meaningfully improve its December 2 proposal. Following this update, the Solutia board of directors discussed whether it should contact at the present time third parties that might be interested in acquiring Solutia. The representatives of each of Deutsche Bank, Moelis and Perella Weinberg recommended contacting at the present time potentially interested parties. The Solutia board of directors discussed alternatives about when to contact potentially interested parties, how many parties to contact, which parties to contact, whether to sequence the contacts and the message to be conveyed to the parties. Following discussion, the Solutia board of directors authorized Solutia's senior management, Deutsche Bank and Moelis to contact six potentially interested parties, which were determined by the Solutia board of directors following consultation with Solutia's senior management and financial advisors to be the most likely interested parties based on such parties' expressions of prior interest in acquiring either Solutia or other companies in the specialty chemicals industry, experience in specialty chemicals companies, ability to fund or finance a potential transaction and ability to execute a transaction that would be more favorable to Solutia stockholders than a transaction with Eastman. The six parties were comprised of four companies with operations in the chemical industry (Party B and three other parties that we refer to as Party D, Party E and Party F) and two private equity firms (Party A and Party C).

Beginning on January 4, 2012, members of Solutia's senior management and representatives of Deutsche Bank and Moelis contacted the six potentially interested parties. These initial contacts were completed by January 9, 2012. Each of these six parties was told that the Solutia board of directors would be interested in understanding if the party was interested in acquiring Solutia. Each of the parties was invited to submit a non-binding proposal for the acquisition of Solutia, if possible by January 20, 2012. Parties that were interested would receive due diligence materials and were invited to meet with senior management of Solutia and make follow-up inquiries of Solutia upon execution of a confidentiality and standstill agreement. Party A, Party B and Party C expressed preliminary interest in evaluating the opportunity, received and executed a confidentiality and standstill agreement and received due diligence information about Solutia. Party D and Party E each initially expressed preliminary interest in evaluating the opportunity but wanted to consult internally and review the opportunity first on the basis of publicly available information. After this initial review, each of Party D and Party E ultimately declined the opportunity to submit an indication of interest or receive a confidentiality and standstill agreement. Party F initially expressed preliminary interest in evaluating the opportunity and received a confidentiality and standstill agreement; however, following further consideration, it did not execute a confidentiality and standstill agreement or receive any due diligence information and, on January 20, 2012, it indicated that it was interested only in acquiring the Technical Specialties division of Solutia and did not provide any indicative price. Further information on the feedback provided by each of the parties is noted below.

Table of Contents

On January 7, 2012, Mr. Rogers contacted Mr. Quinn to discuss the status of Eastman's due diligence review of Solutia. Mr. Rogers informed Mr. Quinn that Eastman was impressed with Solutia and was working to get to a revised view on the value of the company. Mr. Rogers noted though that Eastman had observed some challenges to certain of Solutia's businesses and the speed at which the businesses could grow. Mr. Rogers said that he expected to provide a revised proposal to acquire Solutia later in the week with an expectation that Eastman would want to sign a definitive agreement quickly thereafter (as early as January 22, 2012) and identified the remaining confirmatory due diligence items outstanding.

On January 10, 2012, the Solutia board of directors held a special meeting by teleconference. Representatives of each of Deutsche Bank, Moelis, Perella Weinberg, Kirkland & Ellis and Faegre attended the meeting. At the meeting, Mr. Quinn updated the Solutia board of directors regarding his recent discussion with Mr. Rogers. Representatives of Perella Weinberg made a presentation regarding their preliminary financial analyses of Solutia and the proposal. Perella Weinberg expressed its view, among other observations, that there were risks associated with the underlying macroeconomic and operating assumptions in Solutia's long-range plan and as a result the long-range plan appeared to be an optimistic case of the possible future business performance of Solutia. The Solutia board of directors also discussed the assumptions in Solutia's long-range plan. Following the presentation by Perella Weinberg, members of Solutia's senior management and representatives of Deutsche Bank and Moelis provided an update on the status of the outreach to the six potentially interested parties. In particular they noted the preliminary interest expressed by several of the parties at the present time.

Later on January 10, 2012, Mr. Rogers contacted Mr. Quinn to provide a more definitive proposal to acquire Solutia based on the results of Eastman's due diligence review and the feedback on price that had been provided by Solutia, Deutsche Bank and Moelis. Mr. Rogers stated that, despite the feedback that had been provided, specifically, that Solutia would expect a meaningful improvement to the value of Eastman's proposal, Eastman was unwilling to increase the value of its proposal to acquire Solutia for a price of \$25.75 per share (which Mr. Rogers said would consist of a combination of \$20.50 of cash and 0.129 shares of Eastman common stock). The value of such proposal represented a premium of approximately 48% to the closing price per share of Solutia common stock of \$17.35 on January 9, 2012, the previous trading day. Mr. Rogers noted that this value had become more definitive since Eastman's December 2 letter based on Eastman's due diligence review and the proposal was subject only to Eastman conducting certain site visits, receiving a few remaining segment financial materials, and negotiation of a merger agreement. Mr. Rogers explained that Eastman viewed Solutia's long-range plan as overly optimistic (particularly on its macroeconomic assumptions) and that the rate of return from the acquisition was lower than Eastman was expecting (even if it was accretive), both of which supported a lower price per share. He also noted that the Eastman board of directors had recently met and considered its alternatives, including pursuing alternate transactions or completing the merger at a lower price than was currently offered, and that, as a result, the current proposal was the best price the Eastman board of directors would authorize. Mr. Rogers also stated that the proposal was being made at the current price on the expectation that a final agreement with that price could be reached by January 26, 2012, the scheduled date of Eastman's fourth quarter earnings announcement, and that the price could decline in the future. Mr. Rogers stated that he would like feedback on the proposal by later that week. Mr. Quinn expressed disappointment with the lack of increase in the price proposed by Eastman and explained that several of Solutia's directors would likely not support this price. However, he said he would share the proposal with the Solutia board of directors and provide feedback based on the direction provided by the Solutia board.

On January 11, 2012, Solutia and Party B executed a confidentiality and standstill agreement and thereafter Party B received due diligence materials related to Solutia. It indicated that it would submit an indication of interest within the coming weeks and would inquire further of Solutia if it required additional information.

Also on or about January 11, 2012, Party E contacted Mr. Quinn and declined to submit an indication of interest.

On January 12, 2012, the Solutia board of directors held a special meeting by teleconference. Representatives of each of Deutsche Bank, Moelis, Perella Weinberg, Kirkland & Ellis and Faegre attended the meeting. At the meeting, Mr. Quinn updated the Solutia board of directors regarding his recent discussion with

Table of Contents

Mr. Rogers. He also provided an update on the status of the discussions with the six potentially interested parties that had been contacted, noting that Party E recently had declined to participate. The Solutia board of directors discussed with its advisors potential responses to the Eastman proposal, giving consideration to the proposed price, possible higher prices that Eastman could propose, risks of continued operation of the business as a stand-alone company and other factors. The Solutia board of directors also discussed negotiation tactics, including whether it was best to reject the price or provide guidance in response and whether Eastman would increase its proposed price and bid against itself if no guidance was provided or cease discussions altogether if it got what it regarded as an unacceptable response. The members of Solutia board of directors agreed that they did not want the response to lead Eastman to cease negotiations but wanted additional time to receive feedback from the potentially interested parties that had been contacted. The Solutia board of directors tentatively determined to reject the proposal as inadequate without providing an acceptable price or price range in response but agreed that the Solutia board of directors should meet again before doing so to discuss in more detail what price range they would view as acceptable for purposes of providing guidance to Eastman.

Also on January 12, 2012, each of Party A and Party C executed a confidentiality and standstill agreement with Solutia and thereafter each of Party A and Party C received due diligence materials related to Solutia. Each of Party A and Party C indicated that it would submit an indication of interest within the coming weeks and would inquire further of Solutia if it required additional information.

On January 13, 2012, Mr. Quinn provided an update to Mr. Rogers that the Solutia board of directors was continuing to evaluate Eastman's proposal and would not be able to provide feedback by the end of the week as Mr. Rogers had requested.

On January 14, 2012, the Solutia board of directors held a special meeting by teleconference. Representatives of each of Kirkland & Ellis and Faegre attended the meeting. At the meeting, the Solutia board of directors continued to discuss potential responses to Eastman's most recent proposal. In particular, the Solutia board of directors discussed Solutia's recent business performance, the execution risks of continued operation of the business as a stand-alone company and the directors' views on Solutia's stand-alone prospects and value, and their view that the future successful execution of Solutia's long-range plan would require that Solutia attract and retain high-quality, fully-engaged management across all businesses and corporate functions. They also discussed the status of feedback from the potentially interested parties that had been contacted, noting that three parties (Party A, Party B and Party C) had executed confidentiality and standstill agreements, had received information about Solutia and were expected to provide an indication of interest within the coming weeks but that another party (Party D) appeared to be declining to participate as it had not returned calls within the preceding several days. The Solutia board of directors determined to reject Eastman's proposal to acquire Solutia at a price of \$25.75 per share as inadequate without providing an acceptable price or price range in response but agreed that Solutia's senior management, Deutsche Bank and Moelis could make clear that the Solutia board of directors was open to continuing the dialogue about the acquisition with Eastman which would give the Solutia board of directors additional time to receive feedback from the four potentially interested parties that had been contacted and had not yet declined to participate.

On January 15, 2012, Mr. Quinn informed Mr. Rogers that the Solutia board of directors had rejected Eastman's proposal to acquire Solutia at a price of \$25.75 per share and was not providing further feedback on an acceptable price or range of prices in response. Mr. Quinn explained that the Solutia board of directors was disappointed that Eastman had not increased the price of its proposal since its December 2 proposal. However, he indicated that Solutia would be prepared to continue to engage in discussions related to the acquisition. In response, Mr. Rogers stated that he was disappointed that Solutia was not providing any feedback to Eastman on an acceptable price and that Eastman may cease to pursue the acquisition. Messrs. Quinn and Rogers spoke on a few other occasions later on January 15 and on January 16, 2012 about Solutia's response to Eastman's most recent proposal. During these other conversations, they agreed that it would be productive for Deutsche Bank and Moelis, as financial advisors to Solutia, and Barclays and Citi, as financial advisors to Eastman, to meet to discuss their respective views on the values that should be attributed to Solutia. Mr. Rogers also said that he expected to send a letter in the next few days regarding the negotiations and the possible acquisition.

Table of Contents

On January 16, 2012, representatives of Deutsche Bank, Moelis, Citi and Barclays met to discuss the proposed acquisition and discussed their respective views on the values that should be attributed to Solutia. The representatives of Deutsche Bank and Moelis explained that the Solutia board of directors expected that Eastman would propose a higher price than had been proposed and explained why they believed a higher price was justified. The representatives of Citi and Barclays explained that Eastman might be willing to propose a higher price but would not be willing to do so without guidance about a price that would be acceptable to Solutia and that a materially higher price would not be warranted.

Also on January 16, 2012, representatives of Party F provided comments to Solutia and its advisors on the draft confidentiality and standstill agreement that had been provided by Solutia. In the course of providing this feedback, Party F noted that it was only interested in considering the acquisition of Solutia, and would only execute the confidentiality and standstill agreement, in each case if Party F was expressly permitted to partner with another party for the acquisition. Over the course of the next several days, Solutia informed Party F that it would not be permitted to partner with another party at the present time.

In addition, on January 16, 2012, members of Eastman's management communicated with the Eastman board of directors to update the board on the status of pricing discussions with Solutia's management in connection with the merger and Eastman's plans to further refine its purchase price to complete the merger while remaining within a price range supported by the Eastman board of directors.

On January 18, 2012, Mr. Rogers contacted Mr. Quinn. He said that he expected to send a letter later in the day proposing a path forward for negotiations on determining an acceptable price per share for Solutia. He also said that he believed it was appropriate to eliminate impediments to reaching an agreement on terms other than price. As a result, among other scheduling items, he proposed scheduling meetings for Solutia to conduct a due diligence review of Eastman and informed Solutia that Eastman's advisors would send a proposed form of merger agreement showing the other terms on which Eastman would be prepared to complete the merger. Eastman's senior management and its financial advisors continued to work to analyze and interpret the impact of the merger on Eastman's credit ratings. Following consultation with representatives of Deutsche Bank, Moelis, Perella Weinberg, Kirkland & Ellis and Faegre and other directors, Mr. Quinn responded to Mr. Rogers on the following day that these meetings could be scheduled.

Later that evening on January 18, 2012, Mr. Rogers sent Mr. Quinn a letter regarding possible future negotiations. In the letter, Mr. Rogers said Eastman was disappointed by the Solutia board of directors' rejection of Eastman's proposal but still believed, based on the work done to date, that there was the potential for Eastman to make some modest movement of its proposed price. The letter stated, however, that Eastman could only do this in response to some indication of an acceptable value from Solutia. The letter also made reference to the other actions he had proposed to Mr. Quinn during their conversation earlier in the day described above.

On January 19, 2012, representatives of Eastman sent to representatives of Solutia an initial draft of a merger agreement for the possible transaction.

The initial draft merger agreement provided that, in the event Eastman was unable to obtain the financing for the merger contemplated by its financing commitments or alternative financing, Solutia would not be entitled to pursue specific performance as a remedy to seek to force Eastman to complete the merger. Instead, in that event, Solutia would be entitled to a reverse termination fee that could become payable by Eastman equal to 4% of the equity value of the merger and would have no further remedies against Eastman, including damage claims. Eastman could also delay the closing for marketing periods of uncertain duration for its financing until Solutia provided additional information. In addition, the draft merger agreement provided that Solutia and Eastman would use their commercially reasonable efforts to obtain antitrust approvals, but Eastman's obligations to seek the approvals was limited to \$2 million in expenditures. The draft merger agreement included customary, mutual closing conditions that neither party would be required to complete the merger if a material adverse effect had occurred on the other party, but the definition of material adverse effect in the draft merger agreement was very

Table of Contents

broad (including specific reference to prospects) and had few exceptions to the definition for events that would not constitute a material adverse effect. The effect of the foregoing provisions (if accepted) was to lower the certainty that Eastman would be required to complete the acquisition if adverse developments regarding Eastman's financing, antitrust approvals or Solutia's business occurred. The draft merger agreement also provided for a termination fee that could become payable by Solutia equal to 4% of the implied equity value of Solutia and provided Eastman with a matching period of 6 business days in the event a superior offer was made for Solutia, with an additional matching period of 6 business days each time such a superior offer was made.

On January 20, 2012, Party D contacted Mr. Quinn and declined to submit an indication of interest. In addition, on January 20, 2012, Party F sent a letter to Solutia in which Party F indicated that it was interested only in acquiring the Technical Specialties division of Solutia and did not provide any indicative price.

During the course of the next several days, Messrs. Rogers and Quinn spoke about how to facilitate further negotiation of the price of Eastman's proposal and the resulting merger consideration. Mr. Quinn indicated that he would discuss a response further with the Solutia board of directors on January 23, 2012 and could likely respond after that meeting. In anticipation of additional negotiations of price, Mr. Rogers informed Mr. Quinn that he would seek additional authority from the Eastman board of directors for increases to the price to be paid in the acquisition. Mr. Rogers informed Mr. Quinn that he would meet with the Eastman board of directors on January 22, 2012 and that he continued to believe it was important to reach and announce a final agreement quickly if they were going to reach an agreement at all. During these discussions, Mr. Quinn also noted that he believed that any merger agreement that would be acceptable to Solutia would need to provide a high degree of certainty of closing and that the reverse termination fee approach of the initial draft of the merger agreement would not be acceptable.

On January 22 and 23, 2012, several members of Eastman's senior management (including Mr. Espeland) and its advisors provided due diligence information and gave a presentation about Eastman and its businesses to Solutia's senior management (including Messrs. Sullivan, Donnelly and Berra) and advisors.

Also on January 22, 2012, the Eastman board of directors held a special meeting attended by, among others, representatives of Barclays, Citi and Jones Day. Members of Eastman's management provided various updates on the timing and status of negotiations with Solutia on the acquisition, including the current status of the pricing terms thereof and a potential range of values, and legal, financial and business due diligence. Management and Eastman's advisors also provided the Eastman board of directors with updated information on Solutia's business and integration matters, and Eastman's discussions with its advisors and other third parties relating to the impact of the merger on Eastman's credit ratings. Representatives of Barclays and Citi gave presentations related to financial analyses and valuation that each firm was undertaking. Mr. Rogers advised the Eastman board of directors that he would provide updates on any significant developments in the negotiating process.

By the morning of January 23, 2012, each of the six potentially interested parties that had been contacted had each provided its respective feedback. As previously noted, only Party A, Party B and Party C executed confidentiality and standstill agreements and received due diligence information about Solutia. These parties had considered this information and Solutia had offered to have follow-up discussions with Solutia's senior management, Deutsche Bank and Moelis to assess the opportunity during mid-January 2012, although none of these parties requested and there were no follow-up discussions or negotiations with these parties. The other three parties had declined to pursue the opportunity at various times during the preceding two weeks as noted above. Despite previously expressing strong interest in the opportunity, Party B provided its feedback on or about January 18, 2012 that after consideration of the due diligence information and opportunity, it was declining to pursue the opportunity. Consequently, none of the four companies that had been contacted through this outreach and that had operations in the chemical industry elected to submit an indication of interest. Party C had provided a preliminary, non-binding, oral indication of interest on January 20, 2012 that it expected to be able to propose to pay up to \$27.00 per share; however, this price was subject to its assumption that it could find a partner to purchase Solutia's Technical Specialties division at a high single digit multiple and assume all legacy liabilities of Solutia and that the sale of the Technical Specialties division would not result in any incurrence of tax

Table of Contents

liabilities. Party C stated that it believed it could be in a position to enter into an agreement to acquire Solutia in approximately four to five weeks. Party A had provided a preliminary, non-binding, oral indication of interest on January 23, 2012 that it expected to be able to propose to pay between \$26.00 per share and \$28.00 per share, although it expressed more confidence in its ability to propose a price at the lower end of the range because the higher end of the range would require findings of upside opportunities that it had not seen to date. Party A stated that it believed it could be in a position to enter into an agreement to acquire Solutia in approximately three weeks but that it would likely require that Solutia would negotiate exclusivity with Party A during this period and/or agree to reimburse Party A for its expenses in evaluating the acquisition.

On the afternoon of January 23, 2012, the Solutia board of directors held a special meeting at the offices of Kirkland & Ellis in New York City. Representatives of each of Deutsche Bank, Moelis, Perella Weinberg and Kirkland & Ellis attended the meeting. At the meeting, the Solutia board of directors received an update on the most recent financial results of Solutia's operations. The Solutia board of directors also received presentations from two consulting firms that had been asked to consider Solutia's long-range plan, the impact of macroeconomic factors on the achievability of the plan and possible unseen risks and opportunities available to Solutia. The first consultant identified several macroeconomic risks (including market and country-specific growth, regulatory uncertainty and currency risk) to the execution of Solutia's long-range plan. The second consultant stated that in its view the long-range plan was based on optimistic macroeconomic assumptions and that there was more downside risk in the long-range plan than upside potential. Representatives of Deutsche Bank and Moelis provided an update on the recent events related to the conversations between Solutia and its advisors and Eastman and its advisors and the results of the outreach to the six potentially interested parties noted in the preceding paragraph. The financial advisors and the Solutia board of directors discussed the assumptions on which Party A and Party C had based their indications of interest and assessed the likelihood that either indication of interest would result in a proposal that was more favorable to the Solutia stockholders than a proposal that Eastman would likely make. The Solutia board of directors discussed with its advisors potential responses to the January 18 letter from Eastman. In particular, the Solutia board of directors discussed the most recent price proposed by Eastman and the stand-alone prospects for Solutia and considered various negotiation strategies, including whether to provide additional guidance on price in response now that the Solutia board of directors had the benefit of additional information from the results of the outreach to third parties and the possible effects of Eastman's stated desire to reach an agreement quickly. The Solutia board of directors and its financial advisors also discussed the results of due diligence by Solutia's management team and advisors with respect to Eastman and whether to propose price protection for the stock portion of the consideration proposed by Eastman. Representatives of Kirkland & Ellis also reminded the Solutia board of directors about prior discussions of the fiduciary duties of the directors in connection in the context of considering a proposal to sell Solutia and also discussed several of the open terms in the initial draft merger agreement. Following discussion, the Solutia board of directors authorized a response to Eastman's proposal to acquire Solutia with a proposed price between \$28.00 and \$28.50 per share, with the specific number and formulation of such proposed price in that range to be as determined by Mr. Quinn following further consideration with the financial advisors.

Later on the evening of January 23, 2012, Mr. Quinn contacted Mr. Rogers and stated that the Solutia board of directors was prepared to approve the acquisition of Solutia for merger consideration of approximately \$28.50 per share, payable in a combination of \$20.50 of cash and 0.175 shares of Eastman common stock. Mr. Quinn also stated that Solutia would try to reach final agreement on the acquisition on the timeline proposed by Eastman if Eastman agreed to this price. Mr. Quinn said that there was a meeting of the Solutia board of directors scheduled for the following morning at which he would discuss Eastman's response to this proposal if available by then.

On the morning of January 24, 2012, Mr. Rogers contacted Mr. Quinn and proposed that Eastman would acquire Solutia for a price of \$26.85 per share, payable in a combination of \$22.00 of cash and 0.105 shares of Eastman common stock. Mr. Rogers noted that, with this revised proposal, Eastman was near the end of its flexibility regarding the price negotiations and that the Eastman board of directors would not support a price much higher than the proposed price.

Table of Contents

Later in the morning on January 24, 2012, the Solutia board of directors held a special meeting at the offices of Kirkland & Ellis in New York City. Representatives of each of Deutsche Bank, Moelis, Perella Weinberg, Kirkland & Ellis and Faegre attended the meeting. At the meeting, the Solutia board of directors received an update on the discussions of price between Messrs. Quinn and Rogers since the most recent board meeting. The Solutia board of directors discussed with its advisors potential responses to the most recent proposal from Eastman. They also discussed whether it was appropriate to request price protection provisions (such as a collar arrangement) for the stock portion of the merger consideration. The Solutia board of directors also reviewed the open terms in the initial draft merger agreement. Following discussion, the Solutia board of directors authorized a response to Eastman's proposal to acquire Solutia with a proposed price of \$27.50 per share and not to propose a price protection arrangement for the stock portion of the merger consideration.

Later that morning, Mr. Quinn contacted Mr. Rogers and stated that the Solutia board of directors would approve the acquisition of Solutia for merger consideration of approximately \$27.50 per share. During subsequent conversations that morning and early that afternoon, Messrs. Quinn and Rogers agreed in principle, subject to approval of the boards of directors, to an amount of merger consideration equal to \$22.00 per share in cash and 0.12 shares of Eastman common stock for each share of Solutia common stock, which was equal to approximately \$27.50 per share when agreed to in principle and \$27.65 per share as of the close of business on January 26, 2012 based on the then current market prices of Eastman common stock.

Later that afternoon, representatives of Kirkland & Ellis sent to representatives of Jones Day a revised draft of the merger agreement for the possible acquisition. The revised draft of the merger agreement increased the deal certainty of the acquisition for Solutia relative to the initial draft of the merger agreement that had been provided. In particular, it required Eastman to be responsible for obtaining its financing without limiting Solutia's remedies to a reverse termination fee (which remedies of Solutia would include the right to seek to require Eastman to perform its obligation to complete the merger and to pursue damages in excess of the amount of the previously-contemplated reverse termination fee), required Eastman to take all actions to obtain antitrust approvals and included a more limited definition of a material adverse effect. It also included a termination fee that could become payable by Solutia equal to 2% of the implied equity value of Solutia and provided Eastman with a matching period of two business days in the event a superior offer was made for Solutia (and a single one business day matching period for the first subsequent increased offer). The revised draft agreement also provided for greater flexibility for Solutia to operate its business in the ordinary course prior to the closing of the merger, including for material operating contracts and compensation awards, and placed greater limitations on Eastman regarding equity issuances and large transactions that could affect the value of the stock portion of the merger consideration prior to the closing.

Later on January 24, 2012, Eastman's management provided a further update to the Eastman board of directors on the status of pricing discussions, indicating that the agreed upon terms were within the range originally discussed with the Eastman board of directors, and also provided an update on timing considerations.

On January 25, 2012, representatives of Solutia (including Mr. Berra), together with representatives of Kirkland & Ellis, met with representatives of Eastman, together with representatives of Jones Day, to discuss the terms of the drafts of the merger agreement. During the course of this meeting, the parties discussed the financing of the merger, the contract provision related to a delay in the closing of the merger based on a potential delay in obtaining the financing, the standard for obtaining regulatory approvals, the terms of the material adverse effect definition, the size of the termination fee that could become payable by Solutia, Eastman's matching rights, the restrictions on the operation of each party's business prior to the closing of the merger including restrictions on Solutia's ability to continue to pay quarterly dividends, the compensation to be paid to Solutia employees based on upcoming annual compensation reviews and awards and entry into ordinary course commercial transactions and other terms. The parties reached agreement in principle on these terms at this meeting and through subsequent discussions later that day and early the following day, reflecting terms set forth in the merger agreement.

Table of Contents

Later that evening and continuing until the evening of January 26, 2012 and culminating in the execution of the merger agreement on that evening, the parties and their respective counsel exchanged several drafts of the merger agreement and related definitive documentation and disclosure schedules and engaged in several negotiations of these documents. In addition, on January 25, 2012, Solutia received forms of the financing commitments to be entered into by Eastman in connection with the execution of the merger agreement and provided comments on those commitments through the execution of the merger agreement on January 26, 2012.

On the evening of January 26, 2012 after the close of trading on the New York Stock Exchange, the Solutia board of directors held a special meeting by teleconference. Representatives of each of Deutsche Bank, Moelis, Perella Weinberg, Kirkland & Ellis and Faegre attended the meeting. At the meeting, the senior management of Solutia provided an update to the Solutia board of directors regarding the final negotiations of the terms of the merger, in particular the negotiations of the merger consideration. Representatives of Kirkland & Ellis made a presentation of the terms of the merger agreement, focusing on the treatment of financing and antitrust risk, the definition of material adverse effect, the other conditions to closing (including the receipt of stockholder approval), the non-solicitation covenants and rights of the Solutia board of directors to change its recommendation and if applicable accept a superior proposal, the termination fee and other provisions relating to alternative proposals. Representatives of each of Deutsche Bank and Moelis and then representatives of Perella Weinberg each presented their respective financial analyses of the merger consideration and rendered their respective oral opinions (each subsequently confirmed in writing) that as of the date of the opinion and based on and subject to the assumptions, qualifications and limitations on the scope of review undertaken by each financial advisor as discussed in each opinion, the merger consideration was fair, from a financial point of view, to the Solutia stockholders. See

Opinions of Financial Advisors beginning on page 84. The Solutia board of directors and its advisors also discussed the principal reasons for the merger, referring in part to prior discussions of these topics at prior meetings. The Solutia board of directors and its advisors discussed Solutia's prospects as a stand-alone company and the absence of any alternative transactions that were known to the Solutia board of directors or its advisors that would be reasonably likely to result in a value to Solutia stockholders in excess of the merger consideration (including as a result of the outreach to the six potentially interested parties that had previously been contacted). Deutsche Bank and Moelis noted that they had discussed with two other companies with chemical operations a possible acquisition involving Solutia earlier that week, both of whom had not been among the parties contacted by Solutia in early January 2012. Both of these two other companies responded to Deutsche Bank and Moelis that they were not interested in acquiring Solutia. Mr. Quinn noted that, during a discussion earlier that week, Party B indicated it was not interested in acquiring Solutia at a price level equal to what Eastman was proposing. See Recommendation of the Solutia Board of Directors and Solutia's Reasons for the Merger beginning on page 78 for additional information related to the factors considered by the Solutia board of directors in approving the merger and the transaction contemplated by the merger agreement and recommending that Solutia stockholders vote FOR the proposal to adopt the merger agreement. Following discussion, the Solutia board of directors unanimously determined that the terms of the merger and the other transactions contemplated by the merger agreement were advisable, fair to and in the best interests of Solutia and its stockholders, approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, recommended that Solutia stockholders vote FOR the proposal to adopt the merger agreement and authorized Solutia's management to execute the merger agreement on the terms described to the Solutia board of directors. In addition, the Solutia board of directors approved an amendment to the rights agreement to render the rights agreement inapplicable to the merger agreement and the transactions contemplated thereby.

Also in the evening on January 26, 2012, the Eastman board of directors held a special meeting by teleconference. Representatives of each of Barclays, Citi, and Jones Day attended the meeting. At the meeting, Mr. Rogers updated the Eastman board of directors on the status of the agreement with Solutia, including the agreed upon pricing terms for the merger, due diligence developments, the terms and conditions of the financing commitments to be entered into by Eastman and Eastman's management's expectations for the credit ratings of Eastman after the merger if completed. Thereafter, representatives of Jones Day made a presentation describing the material terms of the merger agreement, including the structure of the acquisition, the non-solicitation

Table of Contents

provisions (including provisions relating to alternative acquisition proposals), and the financing provisions contained therein. Other members of Eastman's management provided the Eastman board of directors with an overview of the financing plans and commitments received in connection with the merger, and representatives of each of Barclays and Citi updated the Eastman board of directors with their evaluations of the transaction. Following discussion, the Eastman board of directors, having determined that the merger and the transactions contemplated by the merger agreement were advisable and in the best interests of Eastman and its stockholders, approved and adopted the merger agreement.

Following the conclusion of the meeting of the Solutia board of directors and the Eastman board of directors on the evening of January 26, 2012, Solutia and Eastman executed the merger agreement.

In the early morning of January 27, 2012, Solutia and Eastman issued a joint press release announcing the execution of the merger agreement and thereafter Eastman held its quarterly conference call with analysts to discuss its fourth quarter and full year 2011 financial results and the merger.

Recommendation of the Solutia Board of Directors and Solutia's Reasons for the Merger

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 are advisable, fair to and in the best interests of Solutia and its stockholders. The Solutia board of directors unanimously recommends that Solutia stockholders vote FOR the proposal to adopt the merger agreement.

In determining that 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 consulted with Solutia's senior management, Solutia's financial and legal advisors and the Solutia board of directors' financial (whose fees were not contingent on the outcome of any transaction or the conclusions in any opinion) and legal advisors and considered a number of factors, including the following material factors:

Merger Consideration. The Solutia board of directors considered a number of factors related to the merger consideration and the financial terms of the merger agreement. In particular, the Solutia board of directors considered the following:

Implied Value; Historical Trading Prices. The Solutia board of directors concluded that the merger consideration to be received by Solutia stockholders, including the implied value of the merger consideration of \$27.65 per share as of the close of trading on January 26, 2012, represented an attractive valuation for Solutia. This implied value of the merger consideration 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 Solutia board of directors' approval of the merger, 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.

Significant Portion of Merger Consideration in Cash. The Solutia board of directors considered that most of the merger consideration will be paid in cash, giving Solutia stockholders an opportunity to realize certain value for a significant portion of their investment immediately upon the completion of the merger.

Participation in Potential Upside Through Stock Portion of Merger Consideration. The Solutia board of directors considered that a portion of the merger consideration will be paid in shares of Eastman common stock and, as a result, Solutia stockholders would 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. The Solutia board of directors considered information relating to Eastman, Eastman's strategic rationale for the merger and the prospects of the combined company

Table of Contents

following the merger. In this regard, the Solutia board of directors noted that the combined company would have strong market positions in its products, a strong, diversified product portfolio and the potential to realize significant cost savings, revenue synergies and other benefits from the merger. The Solutia board of directors also considered potential cost savings, revenue synergies and other benefits to the combined company from the merger. In addition, the Solutia board of directors believed that Eastman would be expected to maintain an investment grade rating after the merger. The Solutia board of directors also considered that the lack of a price protection provision (such as a collar) would permit Solutia stockholders to benefit fully from an increase in the trading price of Eastman common stock during the pendency of the merger.

Extensive Negotiations with Eastman. The Solutia board of directors considered the benefits that Solutia and its advisors were able to obtain as a result of extensive negotiations with Eastman, including a significant increase in Eastman's proposal from the time of its initial proposal to the end of the negotiations. The Solutia board of directors concluded that the merger consideration provided for in the merger agreement reflected the best value that Eastman would be willing to provide at the present time.