

Motion of Eastman Chemical Company to Authorize and Approve Setoff of Certain Prepetition Obligations (the “Eastman Setoff Motion”).

By the Eastman Setoff Motion, Eastman Chemical Company (“Eastman”) seeks entry of an order authorizing and approving a stipulation between Eastman, Chemtura Corporation (“Chemtura”) and Great Lakes Chemical Corporation (“GLCC”) to set off certain prepetition obligations (the “Stipulation”). Eastman seeks modification of the automatic stay pursuant to 11 U.S.C. §§ 362(d) and 533 solely to the extent set forth in the Stipulation to allow Eastman to exercise its right to setoff.

As set forth in the Eastman Setoff Motion, Eastman entered into several transactions with the Debtors prior to March 18, 2009, the date on which the Debtors filed their chapter 11 cases (the “Petition Date”). Specifically, (i) Eastman bought aniline from Chemtura pursuant to a Sales Agreement dated January 1, 2008 (the “Chemtura Supply Contract”), (ii) Chemtura bought 2-ethylhexanol from Eastman pursuant to a contract dated February 12, 2002 (the “Eastman Supply Contract”), and (iii) GLCC bought certain products from Eastman pursuant to a series of prepetition purchase orders. In addition, Eastman granted Chemtura a non-exclusive license to manufacture and sell products pursuant to a license agreement dated March 1, 2002 (the “Eastman License Agreement”).

Eastman asserts that, as of the Petition Date, Chemtura owed Eastman a total of \$373,967.72 in prepetition debts (the “Eastman Receivable”), comprised of \$346,682.28 owed under the Eastman Supply Contract and \$27,285.44 owed in relation to royalty payments under the Eastman License Agreement. In addition, GLCC owed Eastman a total of \$34,035.00 in prepetition debts pursuant to fulfilled purchase orders. Finally, as of the Petition Date, Eastman owed Chemtura a total of \$697,618.46 under the Chemtura Supply Contract (the “Eastman Payable”). Consequently, Eastman, with Chemtura’s consent, seeks modification of the automatic stay to permit Eastman to setoff the Eastman Receivable against the Eastman Payable.

Eastman asserts that setoff is proper under the Bankruptcy Code because mutuality of debt exists between Chemtura and Eastman, and all obligations arose prepetition. Eastman further claims that there will be no prejudice to the Debtors’ estates because the setoff is merely an accounting adjustment. Accordingly, Eastman contends that “cause” exists to lift the stay to permit Eastman to exercise its right to setoff.

If the requested relief is granted, Eastman will pay the remaining \$323,650.74 owing to Chemtura within three business days after entry of a final order approving the Stipulation. Eastman, however, recognizes that it has a prepetition general unsecured claim against GLCC in the amount of \$34,035.00 that is not subject to setoff.

The Eastman Setoff Motion has been scheduled for a hearing on July 28, 2009 at 9:45 a.m. (ET), with a corresponding objection deadline of July 24, 2009 at 5:00 p.m. (ET).