UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-71

HEXION INC.

(Exact name of registrant as specified in its charter)

New Jersey	**13-0511250**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
180 East Broad St., Columbus, OH 43215	**614-225-4000**
(Address of principal executive offices including zip code)	**(Registrant's telephone number including area code)**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None		None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No x

Explanatory Note: While the registrant is not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, it has filed all reports required to be filed by such filing requirements during the preceding 12 months.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	o
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No o

Number of shares of common stock, par value $0.01 per share, outstanding as of the close of business on May 1, 2020: 100

HEXION INC.

INDEX

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
HEXION INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In millions, except share data)	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents (including restricted cash of $4)	$ 250	$ 254
Accounts receivable (net of allowance for doubtful accounts of $4 and $3, respectively)	451	365
Inventories:		
Finished and in-process goods	212	232
Raw materials and supplies	104	100
Other current assets	51	51
Total current assets	1,068	1,002
Investment in unconsolidated entities	17	17
Deferred tax assets	6	6
Other long-term assets	56	55
Property and equipment:		
Land	109	116
Buildings	174	172
Machinery and equipment	1,351	1,368
	1,634	1,656
Less accumulated depreciation	(139)	(78)
	1,495	1,578
Operating lease assets	118	122
Goodwill	178	178
Other intangible assets, net	1,159	1,188
Total assets	$ 4,097	$ 4,146
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 315	$ 341
Debt payable within one year	80	70
Interest payable	24	35
Income taxes payable	22	17
Accrued payroll and incentive compensation	44	48
Current portion of operating lease liabilities	21	22
Other current liabilities	114	105
Total current liabilities	620	638
Long-term liabilities:		
Long-term debt	1,834	1,715
Long-term pension and post employment benefit obligations	244	252
Deferred income taxes	155	164
Operating lease liabilities	83	86
Other long-term liabilities	207	216
Total liabilities	3,143	3,071
Commitments and contingencies (see Note 7)		
Equity		
Common stock —$0.01 par value; 100 shares authorized, issued and outstanding	—	—
Paid-in capital	1,170	1,165
Loan receivable from parent	(10)	—
Accumulated other comprehensive loss	(58)	(1)
Accumulated deficit	(148)	(89)
Total Hexion Inc. shareholders’ equity	954	1,075
Noncontrolling interest	—	—
Total equity	954	1,075
Total liabilities and equity	$ 4,097	$ 4,146

See Notes to Condensed Consolidated Financial Statements

HEXION INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In millions)	Successor Three Months Ended March 31, 2020	Predecessor Three Months Ended March 31, 2019
Net sales	$ 826	$ 886
Cost of sales (exclusive of depreciation and amortization shown below, see Note 2)	680	727
Selling, general and administrative expense (see Note 2)	75	88
Depreciation and amortization (see Note 2)	58	26
Asset impairments	16	—
Business realignment costs	21	4
Other operating expense, net	7	8
Operating (loss) income	(31)	33
Interest expense, net	26	80
Other non-operating income, net	—	(1)
Loss before income tax and earnings from unconsolidated entities	(57)	(46)
Income tax expense	3	7
Loss before earnings from unconsolidated entities	(60)	(53)
Earnings from unconsolidated entities, net of taxes	1	1
Net loss	$ (59)	$ (52)

See Notes to Condensed Consolidated Financial Statements

HEXION INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)

	Successor	Predecessor
(In millions)	**Three Months Ended March 31, 2020**	**Three Months Ended March 31, 2019**
Net loss	$ (59)	$ (52)
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	(42)	—
Unrealized loss on cash flow hedge	(15)	—
Other comprehensive loss	(57)	—
Comprehensive loss	$ (116)	$ (52)

See Notes to Condensed Consolidated Financial Statements

HEXION INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)	Successor Three Months Ended March 31, 2020	Predecessor Three Months Ended March 31, 2019
Cash flows used in operating activities		
Net loss	$ (59)	$ (52)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	58	26
Non-cash asset impairments	16	—
Deferred tax benefit	(2)	—
Unrealized foreign currency losses	5	—
Non-cash stock based compensation expense	5	—
Other non-cash adjustments	3	—
Net change in assets and liabilities:		
Accounts receivable	(104)	(84)
Inventories	7	(20)
Accounts payable	(8)	(21)
Income taxes payable	3	4
Other assets, current and non-current	(8)	(9)
Other liabilities, current and long-term	(18)	2
Net cash used in operating activities	(102)	(154)
Cash flows used in investing activities		
Capital expenditures	(32)	(19)
Net cash used in investing activities	(32)	(19)
Cash flows provided by financing activities		
Net short-term debt repayments	(10)	—
Borrowings of long-term debt	181	196
Repayments of long-term debt	(25)	(40)
Distribution of affiliate loan (see Note 4)	(10)	—
Net cash provided by financing activities	136	156
Effect of exchange rates on cash and cash equivalents, including restricted cash	(6)	—
Change in cash and cash equivalents, including restricted cash	(4)	(17)
Cash, cash equivalents and restricted cash at beginning of period	254	128
Cash, cash equivalents and restricted cash at end of period	$ 250	$ 111
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest, net	$ 36	$ 62
Income taxes, net	2	5

See Notes to Condensed Consolidated Financial Statements

HEXION INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT) (Unaudited)

(In millions)	Common Stock	Paid-in Capital	Treasury Stock	Loan Receivable from Parent	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Hexion Inc. (Deficit) Equity	Noncontrolling Interest	Total Shareholder's (Deficit) Equity
Predecessor									
Balance at December 31, 2018	$ 1	$ 526	$ (296)	$ —	$ (18)	$ (3,125)	$ (2,912)	$ (2)	$ (2,914)
Net loss	—	—	—	—	—	(52)	(52)	—	(52)
Balance at March 31, 2019	$ 1	$ 526	$ (296)	$ —	$ (18)	$ (3,177)	$ (2,964)	$ (2)	$ (2,966)
Successor									
Balance at December 31, 2019	$ —	$ 1,165	$ —	$ —	$ (1)	$ (89)	$ 1,075	$ —	$ 1,075
Net loss	—	—	—	—	—	(59)	(59)	—	(59)
Stock-based compensation expense	—	5	—	—	—	—	5	—	5
Other comprehensive loss	—	—	—	—	(57)	—	(57)	—	(57)
Distribution of affiliate loan (see Note 4)	—	—	—	(10)	—	—	(10)	—	(10)
Balance at March 31, 2020	$ —	$ 1,170	$ —	$ (10)	$ (58)	$ (148)	$ 954	$ —	$ 954

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(In millions, except share data)

1. Background and Basis of Presentation

Based in Columbus, Ohio, Hexion Inc. (“Hexion” or the “Company”) serves global adhesive, coatings, composites and industrial markets through a broad range of thermoset technologies, specialty products and technical support for customers in a diverse range of applications and industries. The Company’s business is organized based on the products offered and the markets served. In January 2020, the Company changed its reporting segments to align around its growth platforms. At March 31, 2020, the Company had three reportable segments: Adhesives; Coatings and Composites; and Corporate and Other.

The unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries in which minority shareholders hold no substantive participating rights. Intercompany accounts and transactions are eliminated in consolidation. In the opinion of management, all adjustments consisting of normal, recurring adjustments considered necessary for a fair statement have been included. Results for the interim periods are not necessarily indicative of results for the entire year.

Year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”), certain information and disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the accompanying notes included in the Company’s most recent Annual Report on Form 10-K.

Emergence from Chapter 11 and Fresh Start Accounting

On April 1, 2019, the Company, Hexion Holdings LLC, Hexion LLC and certain of the Company’s subsidiaries (collectively, the “Debtors”) filed voluntary petitions (the “Bankruptcy Petitions”) for reorganization under Chapter 11 (“Chapter 11”) of the U.S. Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware, (the “Bankruptcy Court”). The Chapter 11 proceedings were jointly administered under the caption *In re Hexion TopCo, LLC*, No. 19-10684 (the “Chapter 11 Cases”). The Debtors continued to operate their businesses as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

On June 25, 2019, the Court entered an order (the “Confirmation Order”) confirming the Second Amended Joint Chapter 11 Plan of Reorganization of Hexion Holdings LLC and its Debtor Affiliates under Chapter 11 (the “Plan”). On the morning of July 1, 2019 (the "Effective Date"), in accordance with the terms of the Plan and the Confirmation Order, the Plan became effective and the Debtors emerged from bankruptcy (the “Emergence”).

As a result of the Company’s reorganization and emergence from Chapter 11 bankruptcy on the Effective Date, the Company’s direct parent is Hexion Intermediate Holding 2, Inc. (“Hexion Intermediate”), a holding company and wholly owned subsidiary of Hexion Intermediate Holding 1, Inc., a holding company and wholly owned subsidiary of Hexion Holdings Corporation, the ultimate parent of Hexion (“Hexion Holdings” or “Parent”). Prior to its reorganization, the Company’s parent was Hexion LLC, a holding company and wholly owned subsidiary of Hexion Holdings LLC (now known as Hexion TopCo, LLC or “TopCo”), the previous ultimate parent entity of Hexion, which was controlled by investment funds managed by affiliates of Apollo Management Holdings, L.P. (together with Apollo Global Management, Inc. and its subsidiaries, “Apollo”). On the Effective Date, the Company’s existing common stock were cancelled and 100 new shares of common stock were issued at a par value of $0.01 to the Company’s new direct parent Hexion Intermediate in accordance with the Plan.

On the Effective Date, the Company applied fresh start accounting to its financial statements, which resulted in a new basis of accounting and the Company became a new entity for financial reporting purposes. As a result of the application of fresh start accounting and the effects of the implementation of the Plan, the Condensed Consolidated Financial Statements after the Effective Date are not comparable with the Condensed Consolidated Financial Statements prior to that date. References to “Successor” or “Successor Company” relate to the financial position and results of operations of the Company after the Effective Date. References to “Predecessor” or “Predecessor Company” refer to the financial position and results of operations of the Company on or before the Effective Date.

2. Summary of Significant Accounting Policies

Use of Estimates—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and also requires the disclosure of contingent assets and liabilities at the date of the financial statements. In addition, it requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition—The Company follows the principles-based five step model to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Revenue, net of estimated allowances and returns, is recognized when the Company has completed its performance obligations under a contract and control of the product is transferred to the customer. Substantially all revenue is recognized at the time shipment is made or upon delivery as risk and title to the product transfer to the customer. Sales, value add, and other taxes that are collected concurrently with revenue-producing activities are excluded from revenue. Contract terms for certain transactions, including sales made on a consignment basis, result in the transfer of control of the finished product to the customer prior to the point at which the Company has the right to invoice for the product. In these cases, timing of revenue recognition will differ from the timing of invoicing to customers and will result in the Company recording a contract asset. A contract asset balance of $10 and $9 is recorded within "Other current assets" at March 31, 2020 and December 31, 2019, respectively, in the unaudited Condensed Consolidated Balance Sheet. Refer to Note 10 for additional discussion of the Company's net sales by reportable segment disaggregated by geographic region.

Cash and Cash Equivalents— The Company considers all highly liquid investments that are purchased with an original maturity of three months or less to be cash equivalents. The Company's restricted cash balance of $4 at both March 31, 2020 and December 31, 2019 represents deposits to secure certain bank guarantees issued to third parties to guarantee potential obligations of the Company primarily related to the completion of tax audits and environmental liabilities. These balances will remain restricted as long as the underlying exposures exist and are included in the Consolidated Balance Sheets as a component of "Cash and cash equivalents."

Allowance for Doubtful Accounts—The Company adopted ASU 2016-13 (see definition below) on January 1, 2020. Under adoption of ASU 2016-13, the Company has updated its credit loss methodology to consider a broader range of reasonable and supportable information to inform its credit loss estimates. The Company utilizes a historical aging method disaggregated by portfolio segment of geographic region, and then the Company makes any necessary adjustments for current conditions and forecasts about future economic conditions for calculating its allowance for doubtful accounts. The Company evaluates each pooled receivables' geographic region by differing regional industrial and economic conditions, overall end market conditions and groups of customers with similar risk profiles related to timing and uncertainty of future collections. If particular accounts receivable balances no longer display risk characteristics that are similar to other pooled receivables, the Company performs individual assessments of expected credit losses for those specific receivables. Receivables are charged against the allowance for doubtful accounts when it is probable that the receivable will not be collected.

During the Successor three months ended March 31, 2020, the Company increased its current period allowance for doubtful accounts provision for expected credit losses by $1 to reflect current business conditions, forecasts of future economic conditions and the impacts related to the global business and market disruptions of the coronavirus disease 2019 ("COVID-19") pandemic in accordance with ASU 2016-13 (see Note 13 for more information). These future economic conditions reflect the Company's current expectations and assumptions regarding its business, the economy and other future events and conditions and are based on currently available financial, economic and competitive data and current business plans as of March 31, 2020. Actual results could vary materially depending on risks and uncertainties that may affect the Company's operations, markets, services, prices and other factors as discussed in the Risk Factors section in this Quarterly Report on Form 10-Q and in the Company's most recent Annual Report filed on Form 10-K and other filings with the SEC. While the Company believes its assumptions are reasonable, it is very difficult to predict the impact of known factors, and it is impossible for the Company to anticipate all factors that could affect its actual results and any future impacts of COVID-19.

The Company recorded an allowance for doubtful accounts of $4 and $3 at March 31, 2020 and December 31, 2019, respectively, to reduce accounts receivable to their estimated net realizable value. Accounts receivable balances are written-off against the allowance if a final determination of uncollectibility is made. There were write-offs of less than $1 and no recoveries for the Successor three months ended March 31, 2020.

Income Statement Presentation— As a result of the application of fresh start accounting upon the Company's emergence from Chapter 11, the Company elected to change its income statement presentation of depreciation and amortization expense beginning in the Successor period July 2, 2019 through December 31, 2019 and all periods thereafter. As a result, "Depreciation and amortization" has been added as a line item in the unaudited Condensed Consolidated Statements of Operations and "Cost of sales" and "Selling, general and administrative expense" will now exclude all depreciation and amortization expense. In addition, the Company will no longer present "Gross profit" as a subtotal caption. For comparability purposes, this presentation change will be applied to all comparable periods presented in this Quarterly Report on Form 10-Q and all future filings.

The effects of the income statement presentation change on the Predecessor Company's previously reported unaudited Condensed Consolidated Statements of Operations are presented below. As noted above, a component of this presentation change is removal of the "Gross profit" subtotal.

Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2019:

	Previous Presentation Method	Effect of Presentation Change	As Reported
Cost of sales	$ 750	$ (23)	$ 727
Selling, general and administrative expense	91	(3)	88
Depreciation and amortization	—	26	26

Subsequent Events—The Company has evaluated events and transactions subsequent to March 31, 2020 through the date of issuance of its unaudited Condensed Consolidated Financial Statements (See Note 13).

Recently Issued Accounting Standards

Newly Adopted Accounting Standards

In June 2016, the FASB issued ASU 2016-13: Financial Instruments - Credit Losses (Topic 820): *Measurement of Credit Losses on Financial Instruments*, ("ASU 2016-13"). The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. New disclosures are also required with this standard. The standard is effective for annual and interim periods beginning after December 15, 2019. This standard impacts the Company's accounts receivables and contract assets. The Company adopted ASU 2016-13 at January 1, 2020, using a modified retrospective adoption method. Under this method of adoption, there is no impact to the comparative Consolidated Statement of Operations and the Consolidated Balance Sheets. There was an immaterial impact of adopting ASU 2016-13 on the date of adoption.

In August 2018, the FASB issued ASU 2018-15: Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)*: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract* ("ASU 2018-15"). ASU 2018-15 align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard was effective for annual and interim periods beginning after December 15, 2019. The Company adopted ASU 2018-15 prospectively on January 1, 2020 and the adoption had an immaterial impact on its condensed consolidated financial statements.

Recently Issued Accounting Standards

In August 2018, the FASB issued ASU 2018-14: Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): *Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans* ("ASU 2018-14"). ASU 2018-14 modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The standard is effective for fiscal years ending after December 15, 2020. The Company is currently assessing the potential impact of ASU 2018-14 on its financial statements.

3. Asset Impairments

During the first quarter of 2020, the Company indefinitely idled certain assets within its Adhesives segment. These represented triggering events resulting in impairment evaluations of the fixed assets within both the oilfield and phenolic specialty resins asset groups. As a result, asset impairments totaling $16 were recorded in "Asset impairments" in the unaudited Condensed Consolidated Statements of Operations during the Successor three months ended March 31, 2020.

4. Related Party Transactions

Transactions with Apollo

As of the Company's emergence from bankruptcy on July 1, 2019, Apollo is no longer a related party to the Company.

Management Consulting Agreement

The Company was party to a Management Consulting Agreement with Apollo (the "Management Consulting Agreement") pursuant to which the Company received certain structuring and advisory services from Apollo and its affiliates. Apollo was entitled to an annual fee equal to the greater of $3 or 2% of the Company's Adjusted EBITDA. Apollo elected to waive charges of any portion of the annual management fee due in excess of $3 for the calendar year 2019.

During the Predecessor three months ended March 31, 2019, the Company recognized expense under the Management Consulting Agreement of $1. This amount is included in "Other operating expense, net" in the unaudited Condensed Consolidated Statements of Operations. In conjunction with the Company's Chapter 11 proceedings and the Support Agreement filed on April 1, 2019, Apollo agreed to waive its annual management fee for 2019. In connection with the Company's emergence from Chapter 11, the Management Consulting Agreement was terminated pursuant to the Confirmation Order, as of the Effective Date.

Purchases and Sales of Products and Services with Apollo Affiliates

The Company sells products to various Apollo affiliates. These sales were $1 for the Predecessor three months ended March 31, 2019. There were no purchases during the Predecessor three months ended March 31, 2019.

Transactions with MPM

As of May 15, 2019, Momentive Performance Materials ("MPM") is no longer under the common control of Apollo and no longer a related party to the Company.

Shared Services Agreement

The Company previously held a shared services agreement with MPM (the "Shared Services Agreement"). Under this agreement, the Company provided to MPM, and MPM provided to the Company, certain services, including, but not limited to, executive and senior management, administrative support, human resources, information technology support, accounting, finance, legal and procurement services. The Shared Services Agreement established certain criteria upon which the costs of such services are allocated between the Company and MPM. On March 14, 2019, MPM terminated the Shared Services Agreement, which triggered a transition period for the parties to work together to facilitate an orderly transition of services. In the first quarter of 2020, the transition of services was completed.

Pursuant to the Shared Services Agreement, during the Predecessor three months ended March 31, 2019 the Company incurred approximately $6 of net costs for shared services and MPM incurred approximately $5 of net costs for shared services. Included in the net costs incurred during the Predecessor three months ended March 31, 2019 were net billings from Hexion to MPM of $3 to bring the percentage of total net incurred costs for shared services under the Shared Services Agreement to the applicable agreed upon allocation percentage.

Sales and Purchases of Products with MPM

The Company also sells products to, and purchases products from, MPM. There were no products sold during the Predecessor three months ended March 31, 2019. During the Predecessor three months ended March 31, 2019, the Company earned less than $1 from MPM as compensation for acting as distributor of products and had purchases from MPM of $7.

Other Transactions and Arrangements

In March 2020, the Company entered into a $10 short term affiliate loan with its Parent at a 0% interest rate to fund Parent share repurchases, which is recorded in "Loan Receivable from Parent" in the Condensed Consolidated Balance Sheets at March 31, 2020.

The Company sells products and provides services to, and purchases products from, its joint ventures which are recorded under the equity method of accounting. Refer to the below table for a summary of the sales and purchases with the Company and its joint ventures which are recorded under the equity method of accounting:

	Successor	Predecessor
	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Sales to joint ventures	$ 1	$ 1
Purchases from joint ventures	<1	1

	March 31, 2020	December 31, 2019
Accounts receivable from joint ventures	$ 1	$ 1
Accounts payable to joint ventures	<1	<1

In addition to the accounts receivable from joint ventures disclosed above, the Company had a loan receivable of $6 and $7 as of March 31, 2020 and December 31, 2019, respectively, from its unconsolidated forest products joint venture in Russia.

5. Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurement provisions establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. This guidance describes three levels of inputs that may be used to measure fair value:

- **Level 1:** Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- **Level 2:** Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reported date.
- **Level 3:** Unobservable inputs that are supported by little or no market activity and are developed based on the best information available in the circumstances. For example, inputs derived through extrapolation or interpolation that cannot be corroborated by observable market data.

Derivative Financial Instruments

The Company is exposed to certain risks related to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk, foreign currency exchange risk and commodity price risk. The Company does not hold or issue derivative financial instruments for trading purposes.

Recurring Fair Value Measurements

As of March 31, 2020, the Company had derivative assets related to foreign exchange, electricity and natural gas contracts of $3, which were measured using Level 2 inputs, and consisted of derivative instruments transacted primarily in over-the-counter markets. There were no transfers between Level 1, Level 2 or Level 3 measurements during the Successor three months ended March 31, 2020 or the Predecessor three months ended March 31, 2019.

The Company calculates the fair value of its Level 2 derivative liabilities using standard pricing models with market-based inputs, adjusted for nonperformance risk. When its financial instruments are in a liability position, the Company evaluates its credit risk as a component of fair value. At both March 31, 2020 and December 31, 2019, no adjustment was made by the Company to reduce its derivative position for nonperformance risk.

When its financial instruments are in an asset position, the Company is exposed to credit loss in the event of nonperformance by other parties to these contracts and evaluates their credit risk as a component of fair value.

Interest Rate Swap

The Company will from time to time use interest rate swaps to alter interest rate exposures between floating and fixed rates on certain long-term debt. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated using an agreed-upon notional principal amount. The counter-parties to the interest rate swap agreements are financial institutions with investment grade ratings.

In October 2019, the Company executed an interest rate swap syndication agreement where by Hexion receives a variable 3-month LIBOR, and pays fixed interest rate swaps, beginning January 1, 2020 through January 1, 2025 (the “Hedge”) for a total notional amount of $300. The purpose of this arrangement is to hedge the variability caused by quarterly changes in cash flow due to associated changes in LIBOR for $300 of the Company’s variable rate Senior Secured Term Loan denominated in USD ($720 outstanding at March 31, 2020). The Company has evaluated this transaction and designated this derivative instrument as a cash flow hedge under Accounting Standard Codification, No. 815, “Derivatives and hedging,” (“ASC 815”). For the Hedge, the Company records changes in the fair value of the derivative in other comprehensive income (“OCI”) and will subsequently reclassify gains and losses from these changes in fair value from OCI to the unaudited Condensed Consolidated Statement of Operations in the same period that the hedged transaction affects net income and in the same unaudited Condensed Consolidated Statement of Operations category as the hedged item, “Interest expense, net”.

The following tables summarize the Company’s derivative financial instrument designated as a hedging instrument:

		March 31, 2020		December 31, 2019	
	Balance Sheet Location	**Notional Amount**	**Fair Value Liability**	**Notional Amount**	**Fair Value Asset**
Derivatives designated as hedging instruments					
Interest Rate Swap	Other current (liabilities)/assets	$ 300	$ (12)	$ 300	$ 3
Total derivatives designated as hedging instruments			$ (12)		$ 3

	Amount of Loss Recognized in OCI on Derivative for the Three Months Ended:	
	Successor	**Predecessor**
Derivatives designated as hedging instruments	**March 31, 2020**	**March 31, 2019**
Interest Rate Swaps		
Interest Rate Swap	$ (15)	$ —
Total	$ (15)	$ —

In the Successor period three months ended March 31, 2020, the Company reclassified a gain of less than $1 from OCI to “Interest expense, net” on the Condensed Consolidated Statement of Operations related to the settlement of a portion of the Hedge.

Interest Rate Cap

In 2019, the Company executed an interest rate cap derivative instrument for a premium amount of less than $1. This instrument is a derivative under ASC 815 that does not qualify for hedge accounting and as a result, changes in fair value are recognized within earnings throughout the term of the instrument. For the Successor three months ended March 31, 2020, the Company recognized an unrealized loss of less than $1 for the change in fair value of the instrument, which is included in “Other operating expense, net” in the unaudited Condensed Consolidated Statement of Operations.

Non-derivative Financial Instruments

The following table summarizes the carrying amount and fair value of the Company’s non-derivative financial instruments:

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
March 31, 2020					
Debt	$ 1,914	$ —	$ 1,797	$ 60	$ 1,857
December 31, 2019					
Debt	$ 1,785	$ —	$ 1,751	$ 64	$ 1,815

Fair values of debt classified as Level 2 are determined based on other similar financial instruments, or based upon interest rates that are currently available to the Company for the issuance of debt with similar terms and maturities. Level 3 amounts represent finance leases and sale leaseback financing arrangements whose fair value is determined through the use of present value and specific contract terms. The carrying amount and fair value of the Company’s debt is exclusive of unamortized deferred financing fees. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities are classified as Level 1 and are considered reasonable estimates of their fair values due to the short-term maturity of these financial instruments.

6. Debt Obligations

Debt outstanding at March 31, 2020 and December 31, 2019 is as follows:

	March 31, 2020		December 31, 2019	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
Senior Secured Credit Facilities:				
ABL Facility	$ 164	$ —	$ —	$ —
Senior Secured Term Loan - USD due 2026 (includes $7 of unamortized debt discount)	706	7	708	7
Senior Secured Term Loan - EUR due 2026 (includes $4 of unamortized debt discount)	464	—	473	—
Senior Notes:				
7.875% Senior Notes due 2027	450	—	450	—
Other Borrowings:				
Australia Facility due 2021	—	26	27	4
Brazilian bank loans	4	22	7	34
Lease obligations [(1)]	46	14	50	14
Other	—	11	—	11
Total	$ 1,834	$ 80	$ 1,715	$ 70

(1) Lease obligations include finance leases and sale leaseback financing arrangements.

7. Commitments and Contingencies

Environmental Matters

The Company's operations involve the use, handling, processing, storage, transportation and disposal of hazardous materials. The Company is subject to extensive environmental regulation at the federal, state and local levels as well as foreign laws and regulations, and is therefore exposed to the risk of claims for environmental remediation or restoration. In addition, violations of environmental laws or permits may result in restrictions being imposed on operating activities, substantial fines, penalties, damages or other costs, any of which could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The following table summarizes all probable environmental remediation, indemnification and restoration liabilities, including related legal expenses, at March 31, 2020 and December 31, 2019:

	Liability		Range of Reasonably Possible Costs at March 31, 2020	
Site Description	**March 31, 2020**	**December 31, 2019**	**Low**	**High**
Geismar, LA	$ 12	$ 12	$ 9	$ 22
Superfund and offsite landfills – allocated share:				
Less than 1%	3	3	2	6
Equal to or greater than 1%	6	6	5	14
Currently-owned	7	8	4	13
Formerly-owned:				
Remediation	20	21	17	39
Monitoring only	—	1	—	1
Total	$ 48	$ 51	$ 37	$ 95

These amounts include estimates for unasserted claims that the Company believes are probable of loss and reasonably estimable. The estimate of the range of reasonably possible costs is less certain than the estimates upon which the liabilities are based. To establish the upper end of a range, assumptions less favorable to the Company among the range of reasonably possible outcomes were used. As with any estimate, if facts or circumstances change, the final outcome could differ materially from these estimates. At March 31, 2020 and December 31, 2019, $17 and $18 of these liabilities have been included in "Other current liabilities" with the remaining amount included in "Other long-term liabilities" within the unaudited Condensed Consolidated Balance Sheets.

Following is a discussion of the Company's environmental liabilities and the related assumptions at March 31, 2020:

Geismar, LA Site—The Company formerly owned a basic chemicals and polyvinyl chloride business that was taken public as Borden Chemicals and Plastics Operating Limited Partnership ("BCPOLP") in 1987. The Company retained a 1% interest, the general partner interest and the liability for certain environmental matters after BCPOLP's formation. Under a Settlement Agreement approved by the United States Bankruptcy Court for the District of Delaware among the Company, BCPOLP, the United States Environmental Protection Agency and the Louisiana Department of Environmental Quality, the Company agreed to perform certain tasks related to BCPOLP's obligations for soil and groundwater contamination at BCPOLP's Geismar, Louisiana site. The Company bears the sole responsibility for these obligations because there are no other potentially responsible parties ("PRP") or third parties from whom the Company could seek reimbursement.

A groundwater pump and treat system to remove contaminants is operational, and natural attenuation studies are proceeding. If closure procedures and remediation systems prove to be inadequate, or if additional contamination is discovered, costs that would approach the higher end of the range of possible outcomes could result.

Due to the long-term nature of the project, the reliability of timing and the ability to estimate remediation payments, a portion of this liability was recorded at its net present value, assuming a 3% discount rate and a time period of 20 years. The range of possible outcomes is discounted in a similar manner. The undiscounted liability, which is expected to be paid over the next 20 years, is approximately $16. Over the next five years, the Company expects to make ratable payments totaling $5.

Superfund Sites and Offsite Landfills—The Company is currently involved in environmental remediation activities at a number of sites for which it has been notified that it is, or may be, a PRP under the United States Comprehensive Environmental Response, Compensation and Liability Act or similar state "superfund" laws. The Company anticipates approximately 50% of the estimated liability for these sites will be paid within the next five years, with the remainder over the next twenty-five years. The Company generally does not bear a significant level of responsibility for these sites, and as a result, has little control over the costs and timing of cash flows.

The Company's ultimate liability will depend on many factors including its share of waste volume, the financial viability of other PRPs, the remediation methods and technology used, the amount of time necessary to accomplish remediation and the availability of insurance coverage. The range of possible outcomes takes into account the maturity of each project, resulting in a more narrow range as the project progresses. To estimate both its current reserves for environmental remediation at these sites and the possible range of additional costs, the Company has not assumed that it will bear the entire cost of remediation of every site to the exclusion of other known PRPs who may be jointly and severally liable. The Company has limited information to assess the viability of other PRPs and their probable contribution on a per site basis. The Company's insurance provides very limited, if any, coverage for these environmental matters.

Sites Under Current Ownership—The Company is conducting environmental remediation at a number of locations that it currently owns, of which ten sites are no longer in operation. As the Company is performing a portion of the remediation on a voluntary basis, it has some control over the costs to be incurred and the timing of cash flows. The factors influencing the ultimate outcome include the methods of remediation elected, the conclusions and assessment of site studies remaining to be completed, and the time period required to complete the work. No other parties are responsible for remediation at these sites.

Formerly-Owned Sites—The Company is conducting, or has been identified as a PRP in connection with, environmental remediation at a number of locations that it formerly owned and/or operated. Remediation costs at these former sites, such as those associated with the Company's former phosphate mining and processing operations, could be material. The Company has accrued those costs for formerly-owned sites which are currently probable and reasonably estimable. One such site is the Coronet Industries, Inc. Superfund Alternative Site in Plant City, Florida. The current owner of the site alleged that it incurred environmental costs at the site for which it has a contribution claim against the Company, and that additional future costs are likely to be incurred. The Company signed a settlement agreement in 2016 with the current site owner and a past site owner, pursuant to which the Company paid $10 for past remediation costs and accepted a 40% allocable share of specified future remediation costs at this site. The Company estimates its allocable share of future remediation costs to be approximately $12. The final costs to the Company will depend on natural variations in remediation costs, including unforeseen circumstances, agency requests, new contaminants of concern and the ongoing financial viability of the other PRPs.

Monitoring Only Sites—The Company is responsible for a number of sites that require monitoring where no additional remediation is expected. The Company has established reserves for costs related to these sites. Payment of these liabilities is anticipated to occur over the next ten or more years. The ultimate cost to the Company will be influenced by fluctuations in projected monitoring periods or by findings that are different than anticipated.

Indemnifications—In connection with the acquisition of certain of the Company's operating businesses, the Company has been indemnified by the sellers against certain liabilities of the acquired businesses, including liabilities relating to both known and unknown environmental contamination arising prior to the date of the purchase. The indemnifications may be subject to certain exceptions and limitations, deductibles and indemnity caps. While it is reasonably possible that some costs could be incurred, except for those sites identified above, the Company has inadequate information to allow it to estimate a potential range of liability, if any.

Non-Environmental Legal Matters

The Company is involved in various legal proceedings in the ordinary course of business and had reserves of $3 at both March 31, 2020 and December 31, 2019 for all non-environmental legal defense costs incurred and settlement costs that it believes are probable and estimable. At both March 31, 2020 and December 31, 2019, $2 has been included in "Other current liabilities" in the unaudited Condensed Consolidated Balance Sheets, with the remaining amount included in "Other long-term liabilities."

Other Legal Matters—The Company is also involved in various product liability, commercial and employment litigation, personal injury, property damage and other legal proceedings, including actions that allege harm caused by products the Company has allegedly made or used, containing silica, vinyl chloride monomer and asbestos. The Company believes it has adequate reserves and that it is not reasonably possible that a loss exceeding amounts already reserved would be material. Furthermore, the Company has insurance to cover claims of these types.

8. Pension and Postretirement Benefit Plans

The Company's service cost component of net benefit cost is included in "Operating income" and all other components of net benefit cost are included in "Other non-operating (income) expense, net" within the Company's unaudited Condensed Consolidated Statements of Operations. The Company recognized less than $1 of net non-pension postretirement benefit cost for both the Successor three months ended March 31, 2020 and for the Predecessor three months ended March 31, 2019. Following are the components of net pension benefit cost recognized by the Company for the Successor three months ended March 31, 2020 and for the Predecessor three months ended March 31, 2019 :

	Pension Benefits			
	Successor		Predecessor	
	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$ 1	$ 4	$ 1	$ 4
Interest cost on projected benefit obligation	1	2	2	2
Expected return on assets	(3)	(3)	(3)	(3)
Net (benefit) expense	$ (1)	$ 3	$ —	$ 3

9. Stock Based Compensation

The Company grants stock-based compensation to employees, directors, and other key service providers under the Hexion Holdings Corporation 2019 Omnibus Incentive Plan (the “2019 Incentive Plan”). Under the 2019 Incentive Plan, the Company may grant stock options, restricted stock units, performance stock units and other equity-based awards to be awarded from time to time as the Board of Directors of Hexion Holdings (the “Board”) determines. The restricted and performance stock units are deemed to be equivalent to one share of common stock of Hexion Holdings. The awards contain restrictions on transferability and other typical terms and conditions.

In the first quarter of 2020, Hexion Holdings granted 821,758 Restricted Stock Units (“RSUs”) to certain employees and non-employee directors that time vest over three years with a weighted average grant date fair value of $15.80 per share. Additionally, Hexion Holdings granted 823,619 Performance Stock Units (“PSUs”) to certain employees that vest based on performance conditions with a weighted average grant date fair value of $15.80. Compensation cost will be recognized over the service period of the PSUs once the satisfaction of the applicable performance condition is deemed probable. As of March 31, 2020, the Company performance conditions underlying the PSU's were not considered probable of occurring and thus no expense has been recorded.

As of March 31, 2020, there were no RSUs or PSUs forfeited and all units were unvested.

The Company recognized a total of $5 of stock-based compensation costs for the Successor three months ended March 31, 2020 and there were no stock-based compensation costs for the Predecessor three months ended March 31, 2019. The amounts are included in “Selling, general and administrative expense” in the Condensed Consolidated Statements of Operations.

10. Segment Information

Realignment of Reportable Segments in 2020

As part of the Company’s continuing efforts to drive growth and greater operating efficiencies, in January 2020, the Company changed its reporting segments to align around its two growth platforms: (i) Adhesives and (ii) Coatings and Composites. At March 31, 2020, the Company has three reportable segments, which consist of the following businesses:

- **Adhesives**: these businesses focus on the global adhesives market. They include the Company’s global wood adhesives business, including: forest products resin assets in North America, Latin America, Europe, Australia and New Zealand; global formaldehyde; and the global phenolic specialty resins business, which now also includes the oilfield technologies group.
- **Coatings and Composites**: these businesses focus on the global coatings and composites market. They include the Company’s base and specialty epoxy resins and Versatic™ Acids and Derivatives businesses.
- **Corporate and Other**: primarily corporate general and administrative expenses that are not allocated to the other segments, such as shared service and administrative functions and foreign exchange gains and losses.

The Company has recast its Net Sales and Segment EBITDA (as defined below) for the Predecessor three months ended March 31, 2019 to reflect the new reportable segments. The recast of previously issued financial information does not represent a correction of error with respect to, and has no impact on, the Company’s previously issued financial statements.

Reportable Segments

Following are net sales and Segment EBITDA by reportable segment. Segment EBITDA is defined as EBITDA (earnings before interest, income taxes, depreciation and amortization) adjusted for certain non-cash items and other income and expenses. Segment EBITDA is the primary performance measure used by the Company's senior management, the chief operating decision-maker and the board of directors to evaluate operating results and allocate capital resources among segments. Segment EBITDA is also the profitability measure used to set management and executive incentive compensation goals. Corporate and Other is primarily corporate general and administrative expenses that are not allocated to the other segments, such as shared service and administrative functions and foreign exchange gains and losses not allocated to continuing segments.

Net Sales [(1)]:

Following is revenue by reportable segment. Product sales within each reportable segment share economically similar risks. These risks include general economic and industrial conditions, competitive pricing pressures and the Company's ability to pass on fluctuations in raw material prices to its customers. A substantial number of the Company's raw material inputs are petroleum-based and their prices fluctuate with the price of oil. Due to differing regional industrial and economic conditions, the geographic distribution of revenue may impact the amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Following is net sales by reportable segment disaggregated by geographic region:

	Successor			Predecessor		
	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019 [(2)]		
	Adhesives	Coatings and Composites	Total	Adhesives	Coatings and Composites	Total
North America	$ 295	$ 154	$ 449	$ 332	$ 137	$ 469
Europe	102	154	256	114	152	266
Asia Pacific	33	50	83	42	54	96
Latin America	38	—	38	55	—	55
Total	$ 468	$ 358	$ 826	$ 543	$ 343	$ 886

(1) Intersegment sales are not significant and, as such, are eliminated within the selling segment.

(2) Previously reported Net Sales by reportable segment for the Predecessor three months ended March 31, 2019 is shown below:

	Predecessor		
	Three Months Ended March 31, 2019		
	Forest Products Resins	Epoxy, Phenolic and Coating Resins	Total
North America	$ 260	$ 209	$ 469
Europe	47	219	266
Asia Pacific	33	63	96
Latin America	55	—	55
Total	$ 395	$ 491	$ 886

Reconciliation of Net Loss to Segment EBITDA:

	Successor	Predecessor
	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Reconciliation:		
Net loss	$ (59)	$ (52)
Income tax expense	3	7
Interest expense, net	26	80
Depreciation and amortization (1)	58	26
EBITDA	28	61
Adjustments to arrive at Segment EBITDA:		
Asset impairments	$ 16	$ —
Business realignment costs	21	4
Transaction costs	3	23
Realized and unrealized foreign currency losses	6	1
Other non-cash items (2)	12	2
Other	3	12
Total adjustments	61	42
Segment EBITDA	$ 89	$ 103
Segment EBITDA (3):		
Adhesives	$ 71	$ 76
Coatings and Composites	39	44
Corporate and Other	(21)	(17)
Total	$ 89	$ 103

(1) For the three months ended March 31, 2020 accelerated depreciation of $2 has been included in "Depreciation and amortization."

(2) For the three months ended March 31, 2020, primarily included expenses for stock-based compensation costs of $5, long-term retention programs of $3 and non-cash fixed asset write-offs of $2.

(3) Previously reported Segment EBITDA by reportable segment for the Predecessor three months ended March 31, 2019 is shown below:

	Predecessor
	Three Months Ended March 31, 2019
Segment EBITDA:	
Forest Products Resins	$ 68
Epoxy, Phenolic and Coating Resins	52
Corporate and Other	(17)
Total	$ 103

Adjustments to arrive at Segment EBITDA

Not included in Segment EBITDA are certain non-cash items and other unusual or non-recurring income and expenses.

For the Successor three months ended March 31, 2020, business realignment costs primarily included severance costs of $8 related to certain in-process cost reduction activities, $6 related to certain in-process facility rationalizations, $4 of one-time implementation costs associated with the creation of a business services group within the Company and a $2 increase in legacy environmental reserves for future clean-up of closed facilities. For the Predecessor three months ended March 31, 2019, business realignment costs primarily included costs related to certain in-process facility rationalizations and cost reduction activities.

For the Successor three months ended March 31, 2020, transaction costs included certain professional fees related to strategic projects. For the Predecessor three months ended March 31, 2019, transaction costs primarily included $21 of certain professional fees and other expenses related to the Company's Chapter 11 Proceedings incurred prior to the date of filing.

For the Successor three months ended March 31, 2020, items classified as "Other" included expenses related to legacy liabilities. For the Predecessor three months ended March 31, 2019, items classified as "Other" primarily included expenses from management fees and expenses related to legacy liabilities.

11. Changes in Accumulated Other Comprehensive Loss

Following is a summary of changes in "Accumulated other comprehensive loss" for the Successor three months ended March 31, 2020 and the Predecessor three months ended March 31, 2019:

	Defined Benefit Pension and Postretirement Plans	Foreign Currency Translation Adjustments	Cash Flow Hedge	Total
Predecessor				
Balance at December 31, 2018	$ (1)	$ (17)	$ —	$ (18)
Change in value	—	—	—	—
Balance at March 31, 2019	$ (1)	$ (17)	$ —	$ (18)
Successor				
Balance at December 31, 2019	$ —	$ (3)	$ 2	$ (1)
Change in value	—	(42)	(15)	(57)
Balance at March 31, 2020	$ —	$ (45)	$ (13)	$ (58)

12. Income Taxes

The income tax expense for the Successor three months ended March 31, 2020 and the Predecessor three months ended March 31, 2019 was $3 and $7, respectively. The income tax expense is comprised of tax expense on income and tax benefit on losses from certain foreign operations. In 2020 and 2019, losses in the United States and certain foreign jurisdictions had no impact on income tax expense as no tax benefit was recognized due to the maintenance of a full valuation allowance.

The effective tax rate for the Successor three months ended March 31, 2020 and for the Predecessor three months ended March 31, 2019 was (5)% and (15)%, respectively. The change in the effective tax rate was primarily attributable to the amount and distribution of income and losses among the various jurisdictions in which we operate. The effective tax rates were also impacted by operating gains and losses generated in jurisdictions where no tax expense or benefit was recognized due to the maintenance of a full valuation allowance.

13. COVID-19 Impacts

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic. Subsequent to March 31, 2020, the United States, and the global regions where the Company operates, continue to be impacted by COVID-19. Around the world, local governments' responses to COVID-19 continue to evolve, which has led to stay-at-home orders and social distancing guidelines that have disrupted various industries in the global economy.

During this pandemic, the Company has implemented additional guidelines to further protect the health and safety of its employees as the Company continues to operate with its suppliers and customers. The Company has committed to maintaining a paramount focus on the safety of its employees while minimizing potential disruptions caused by COVID-19. For example, the Company is following all legislatively-mandated travel directives in the various countries where it operates, and the Company has also put additional travel restrictions in place for its associates designed to reduce the risk from COVID-19. Additionally, the Company is utilizing extended work from home options to protect its office associates, while adjusting its meeting protocols and processes at its manufacturing sites.

The Company's businesses have been designated by many governments as essential businesses as of March 31, 2020 and the vast majority of the Company's operations are continuing. The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its businesses and geographies, including the impact on its facilities, employees, customers, suppliers, vendors, business partners and distribution. While the Company did not incur significant adverse financial impacts or business disruptions during the three months ended March 31, 2020 from COVID-19, it is unable to predict the impact that COVID-19 will have on its future financial position, operating results or cash flows due to numerous uncertainties, including new information which may emerge concerning the severity and duration of COVID-19 and the actions to contain the virus or treat its impact, among others.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollar amounts in millions)

The following commentary should be read in conjunction with the audited Consolidated Financial Statements and the accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's most recent Annual Report on Form 10-K.

Within the following discussion, unless otherwise stated, "the first quarter of 2020" refers to the three months ended March 31, 2020 and "the first quarter of 2019" refers to the three months ended March 31, 2019.

Forward-Looking and Cautionary Statements

Certain statements in this report, including without limitation, certain statements made under the caption "Overview and Outlook," are forward-looking statements within the meaning of and made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition, our management may from time to time make oral forward-looking statements. All statements, other than statements of historical facts, are forward-looking statements. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "project," "might," "plan," "estimate," "may," "will," "could," "should," "seek" or "intend" and similar expressions. Forward-looking statements reflect our current expectations and assumptions regarding our business, the economy and other future events and conditions and are based on currently available financial, economic and competitive data and our current business plans. Actual results could vary materially depending on risks and uncertainties that may affect our operations, markets, services, prices and other factors as discussed in the Risk Factors section of this report and our other filings with the SEC. While we believe our assumptions are reasonable, we caution you against relying on any forward-looking statements as it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, a weakening of global economic and financial conditions, interruptions in the supply of or increased cost of raw materials, the loss of, or difficulties with the further realization of, cost savings in connection with our strategic initiatives, the impact of our indebtedness, our failure to comply with financial covenants under our credit facilities or other debt, pricing actions by our competitors that could affect our operating margins, changes in governmental regulations and related compliance and litigation costs, uncertainties related to COVID-19 and the impact of our responses to it and the other factors listed in the Risk Factors section of this report and in our other SEC filings. For a more detailed discussion of these and other risk factors, see the Risk Factors section of this report and our most recent filings made with the SEC. All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The forward-looking statements made by us speak only as of the date on which they are made. Factors or events that could cause our actual results to differ may emerge from time to time. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Overview and Outlook

COVID-19 Impact

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic. Subsequent to March 31, 2020, the United States, and the global regions where we operate, continue to be impacted by COVID-19. Around the world, local governments' responses to COVID-19 continue to evolve, which has led to stay-at-home orders and social distancing guidelines that have disrupted various industries in the global economy.

During this pandemic, we have implemented additional guidelines to further protect the health and safety of our employees as we continue to operate with our suppliers and customers. We have committed to maintaining a paramount focus on the safety of our employees while minimizing potential disruptions caused by COVID-19. For example we are following all legislatively-mandated travel directives in the various countries where we operate, and we have also put additional travel restrictions in place for our associates designed to reduce the risk from COVID-19. Additionally, we are utilizing extended work from home options to protect our office associates, while adjusting our meeting protocols and processes at our manufacturing sites.

Our businesses have been designated by many governments as essential businesses as of March 31, 2020 and the vast majority of our operations are continuing. We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our businesses and geographies, including its impact on our facilities, employees, customers, suppliers, vendors, business partners and distribution. While we did not incur significant adverse financial impacts or business disruptions during the three months ended March 31, 2020 from COVID-19, we are unable to predict the impact that COVID-19 will have on our future financial position, operating results or cash flows due to numerous uncertainties, including new information which may emerge concerning the severity and duration of COVID-19 and the actions to contain the virus or treat its impact, among others.

Business Overview

We are a large participant in the specialty chemicals industry, one of the world's largest producers of thermosetting resins, or thermosets, and a leading producer of adhesive and structural resins and coatings. Thermosets are a critical ingredient for most paints, coatings, glues and other adhesives produced for consumer or industrial uses. We provide a broad array of thermosets and associated technologies and have significant market positions in all of the key markets that we serve.

Our products are used in thousands of applications and are sold into diverse markets, such as forest products, architectural and industrial paints, packaging, consumer products and automotive coatings, as well as higher growth markets, such as wind energy and electrical composites. Major industry sectors that we serve include industrial/marine, construction, consumer/durable goods, automotive, wind energy, aviation, electronics, architectural, civil engineering, repair/remodeling and oil and gas drilling. Key drivers for our business include general economic and industrial conditions, including housing starts and auto build rates. In addition, due to the nature of our products and the markets we serve, competitor capacity constraints and the availability of similar products in the market may impact our results. As is true for many industries, our financial results are impacted by the effect on our customers of economic upturns or downturns, as well as by the impact on our own costs to produce, sell and deliver our products. Our customers use most of our products in their production processes. As a result, factors that impact their industries can and have significantly affected our results.

Through our worldwide network of strategically located production facilities, we serve more than 3,100 customers in approximately 85 countries. Our global customers include large companies in their respective industries, such as Akzo Nobel, BASF, Norbord, Louisiana Pacific, Monsanto, Owens Corning, PPG Industries, Sherwin Williams and Weyerhaeuser.

Realignment of Reportable Segments in 2020

As part of our continuing efforts to drive growth and greater operating efficiencies, in January 2020, we changed our reporting segments to align around our two growth platforms: Adhesives; and Coatings and Composites. At March 31, 2020, we have three reportable segments, which consist of the following businesses:

- **Adhesives**: these businesses focus on the global adhesives market. They include our global wood adhesives business, including: forest products resin assets in North America, Latin America, Europe, Australia and New Zealand; global formaldehyde; and the global phenolic specialty resins business, which now also includes the oilfield technologies group.

- **Coatings and Composites**: these businesses focus on the global coatings and composites market. They include our base and specialty epoxy resins and Versatic™ Acids and Derivatives businesses.

- **Corporate and Other**: primarily corporate general and administrative expenses that are not allocated to the other segments, such as shared service and administrative functions and foreign exchange gains and losses.

In this quarterly report on form 10-Q, we have recast our Net Sales and Segment EBITDA by reportable segment, for the comparable Predecessor three months ended March 31, 2019 to reflect the new reportable segments. The recast of previously issued financial information does not represent a correction of error with respect to, and has no impact on, our previously issued financial statements.

Fresh Start Accounting

As a result of the Company's reorganization and emergence from Chapter 11 on the Effective Date, we applied fresh start accounting to our financial statements, which resulted in a new basis of accounting and we became a new entity for financial reporting purposes. As a result of the application of fresh start accounting and the effects of the implementation of the Plan, the Condensed Consolidated Financial Statements after the Effective Date are not comparable with the Condensed Consolidated Financial Statements prior to that date. References to "Successor" or "Successor Company" relate to the financial position and results of operations of the Company after the Effective Date. References to "Predecessor" or "Predecessor Company" refer to the financial position and results of operations of the Company on or before the Effective Date.

2020 Overview

Following are highlights from our results of operations for the three months ended March 31, 2020 and 2019:

	Successor	Predecessor		
	March 31, 2020	**March 31, 2019**	**$ Change**	**% Change**
Statements of Operations:				
Net sales	$ 826	$ 886	$ (60)	(7)%
Operating (loss) income	(31)	33	(64)	(194)%
Loss before income tax	(57)	(46)	(11)	24 %
Net loss	(59)	(52)	(7)	13 %
Segment EBITDA:				
Adhesives	$ 71	$ 76	$ (5)	(7)%
Coatings and Composites	39	44	(5)	(11)%
Corporate and Other	(21)	(17)	(4)	24 %
Total	$ 89	$ 103	$ (14)	(14)%

- ***Net Sales***—In the first three months of 2020, net sales decreased by $60, or 7%, compared to the first three months of 2019. Pricing negatively impacted sales by $57 due primarily to raw material decreases contractually passed through to customers across many of our businesses, as well as continued competitive market conditions in our base epoxy resins business. Foreign currency translation negatively impacted net sales by $15 due to the weakening of various foreign currencies against the U.S. dollar in the first three months 2020 compared to the first three months of 2019. Volume increases positively impacted net sales by $12 related to improved volumes in our base and specialty epoxy resins businesses driven by strong demand, most notably in global wind energy. These volume increases were partially offset by volume reductions in our phenolic specialty resins and Latin American resins businesses driven by overall weakness in the market, primarily in the automotive and construction industries.

- ***Net Loss***—In the first three months of 2020, net loss increased by $7 as compared to the first three months of 2019. This increase in net loss was driven by a reduction in operating income of $64, primarily related to an increase of $32 in depreciation and amortization expense related to the step up of our fixed and intangible assets as a result of the application of fresh-start accounting, $16 of asset impairments in our oilfield and phenolic specialty resins businesses in the first quarter 2020, a $17 increase in business realignment costs driven by higher severance expenses related to current cost reduction actions and a decrease in gross profit due primarily to the margin reductions in our base epoxy resins business discussed above. These unfavorable changes to net loss are partially offset by a reduction in interest expense of $54 as a result of the restructuring of our debt through our Chapter 11 proceedings and $21 of costs related to our Chapter 11 proceedings incurred in the first quarter 2019 prior to filing for bankruptcy.

- ***Segment EBITDA***—For the first three months of 2020, Segment EBITDA was $89, a decrease of 14% compared with $103 in the first three months of 2019. This decrease was primarily due to margin reductions in our base epoxy resins business driven by continued competitive market conditions, partially offset by margin and volume improvements in our versatic acids business.

- ***Restructuring and Cost Reduction Activities*—**During the first three months of 2020, we achieved $8 in cost savings related to our cost reduction activities. These activities include certain in-process facility rationalizations and the creation of a business service group within the Company to provide certain administrative functions for us going forward. Overall we have $15 of in-process cost savings related to these activities, which we expect to realize over the next 12 months.

Short-term Outlook

Overall, we expect COVID-19 impacts to challenge our business results throughout the remainder of 2020. While our businesses have been designated by many governments as essential businesses which has allowed our operations to continue during the pandemic, we saw weaker economic conditions begin to develop in the latter half of March 2020, specifically within automotive and certain industrial markets. We expect these weaknesses and overall lower global economic demand caused by COVID-19 to impact our sales and profitability results beginning in the second quarter 2020. While circumstances around COVID-19 continue to evolve, thus creating uncertainties around predicting the future impacts on our financial results, we anticipate that both of our operating segments will be impacted in some manner by COVID-19 through 2020, due to the global economic impacts of this pandemic.

We anticipate that the COVID-19 pandemic will have a modest impact on our overall Coatings and Composites segment due to the markets and geographies in which this segment operates. Despite overall economic headwinds, we expect improvement in our epoxy specialty business in 2020 due to the ongoing introduction of new products and government supported investment in the China wind energy market, as well as a strong global wind energy market. We expect competitive market conditions in our base epoxy business to continue throughout 2020.

Within our Adhesives segment, we expect year over year declines in Segment EBITDA in our North American forest products resins business based on the latest expectations in U.S. housing starts, remodeling and COVID-19 impacts. We also expect COVID-19 to negatively impact volumes in our North American formaldehyde business in 2020. We also expect weaker volumes in our phenolic specialty resins business due primarily to the impact of COVID-19 on the automotive industry.

We also anticipate that all of our businesses will continue to benefit from the savings associated with our restructuring and cost reduction initiatives. In addition, we expect lower raw material costs to positively impact results across many of our businesses. Further, we plan to implement a variety of growth and efficiency initiatives in 2020, which include accelerating new product development efforts and process improvement initiatives. Lastly, despite the prevailing economic headwinds, the benefits our new capital structure and decreasing working capital will have a positive impact on free cash flow in 2020.

Matters Impacting Comparability of Results

Chapter 11 Bankruptcy and Fresh Start Accounting Impacts

As a result of the emerging from Chapter 11 and qualifying for the application of fresh-start accounting, at the Effective Date, our assets and liabilities were recorded at their estimated fair values which, in some cases, were significantly different than amounts included in our financial statements prior to the Effective Date. Accordingly, our financial condition and results of operations on and after the Effective Date are not directly comparable to our financial condition and results of operations prior to the Effective Date. Specifically, our depreciation and amortization expense after the Effective Date reflects the step-up of fixed and intangible assets as a result of fresh-start accounting, and our interest expense after the Effective Date reflects the restructuring of our debt through the Chapter 11 process.

In addition, we incurred costs related to our Chapter 11 proceedings prior to filing. For the three months ended March 31, 2019, these costs were $21 and are classified within “Selling, general and administrative expense” in the Consolidated Statements of Operations.

Raw Material Prices

Raw materials comprise approximately 80% of our cost of sales (excluding depreciation expense). The three largest raw materials used in our production processes are phenol, methanol and urea. These materials represent about half of our total raw material costs. Fluctuations in energy costs, such as volatility in the price of crude oil and related petrochemical products, as well as the cost of natural gas have historically caused volatility in our raw material and utility costs. In the first three months of 2020 compared to the first three months of 2019, the average price of phenol increased by approximately 16% and the average price of urea and methanol decreased by approximately 4% and 15%, respectively. The impact of passing through raw material price changes to customers can result in significant variances in sales comparisons from year to year.

Other Comprehensive Loss

Our other comprehensive loss is primarily impacted by foreign currency translation. The impact of foreign currency translation is driven by the translation of assets and liabilities of our foreign subsidiaries which are denominated in functional currencies other than the U.S. dollar. Our non-U.S. operations accounted for approximately 55% of our sales in the first three months of 2020. The primary assets and liabilities driving the adjustments are cash and cash equivalents; accounts receivable; inventory; property, plant and equipment; accounts payable; pension and other postretirement benefit obligations and certain intercompany loans payable and receivable. The primary currencies in which these assets and liabilities are denominated are the euro, Brazilian real, Chinese yuan, Canadian dollar and Australian dollar.

In 2019, we entered into an interest rate swap agreement to hedge interest rate variability caused by quarterly changes in cash flow due to associated changes in LIBOR under our Senior Secured Term Loan. This swap was designed as a cash flow hedge and the change in fair value was recorded in “Accumulated other comprehensive loss”.

The impact of defined benefit pension and postretirement benefit adjustments is primarily driven by unrecognized prior service cost related to our defined benefit and other non-pension postretirement benefit plans (“OPEB”), as well as the subsequent amortization of these amounts from accumulated other comprehensive income in periods following the initial recording of such amounts. Upon the application of fresh start accounting, on the Effective Date, all prior unrecognized service cost within accumulated other comprehensive income related to our defined benefit pension and OPEB plans were reset in accordance with ASC 852.

Results of Operations

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor		Predecessor	
	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
	$	% of Net Sales	$	% of Net Sales
Net sales	$ 826	100 %	$ 886	100 %
Cost of sales (exclusive of depreciation and amortization shown below, see Note 2)	680	82 %	727	82 %
Selling, general and administrative expense (see Note 2)	75	9 %	88	10 %
Depreciation and amortization (see Note 2)	58	7 %	26	3 %
Asset impairments	16	2 %	—	— %
Business realignment costs	21	3 %	4	— %
Other operating expense, net	7	1 %	8	1 %
Operating (loss) income	(31)	(4)%	33	4 %
Interest expense, net	26	3 %	80	9 %
Other non-operating income, net	—	— %	(1)	— %
Total non-operating expense	26	3 %	79	9 %
Loss before income tax and earnings from unconsolidated entities	(57)	(7)%	(46)	(5)%
Income tax expense	3	— %	7	1 %
Loss before earnings from unconsolidated entities	(60)	(7)%	(53)	(6)%
Earnings from unconsolidated entities, net of taxes	1	— %	1	— %
Net loss	(59)	(7)%	(52)	(6)%
Other comprehensive loss	$ (57)		$ —	

Three Months Ended March 31, 2020 vs. Three Months Ended March 31, 2019

Net Sales

In the first three months of 2020, net sales decreased by $60, or 7%, compared to the first three months of 2019. Pricing negatively impacted sales by $57 due primarily to raw material decreases contractually passed through to customers across many of our businesses, as well as continued competitive market conditions in our base epoxy resins business. Foreign currency translation negatively impacted net sales by $15 due to the weakening of various foreign currencies against the U.S. dollar in the first three months of 2020 compared to the first three months of 2019. Volume increases positively impacted net sales by $12 related to improved volumes in our base and specialty epoxy resins businesses driven by strong demand, most notably in global wind energy. These volume increases were partially offset by volume reductions in our phenolic specialty resins and Latin American resins businesses driven by overall weakness in the market, primarily in the automotive and construction industries.

Operating Income

In the first three months of 2020, operating income decreased by $64 compared to the first three months of 2019. This decrease was driven by an increase of $32 in depreciation and amortization expense related to the step up of our fixed and intangible assets as a result of the application of fresh-start accounting, $16 of asset impairments in our oilfield and phenolic specialty resins businesses in the first quarter 2020, a $17 increase in business realignment costs driven by higher severance expenses related to current cost reduction actions and a decrease in gross profit due primarily to the margin reductions in our base epoxy resins business discussed above. This reductions to operating income were partially offset by $21 of costs related to our Chapter 11 proceedings incurred in the first quarter 2019 prior to filing for bankruptcy.

Non-Operating Expense

In the first three months of 2020, total non-operating expense decreased by $53 compared to the first three months of 2019 due to a decrease in interest expense of $54 as a result of our the restructuring of our debt through our Chapter 11 proceedings.

Income Tax Expense

The income tax expense for the Successor three months ended March 31, 2020 and the Predecessor three months ended March 31, 2019 was $3 and $7, respectively. The income tax expense is comprised of tax expense on income and tax benefit on losses from certain foreign operations. In 2020 and 2019, losses in the United States and certain foreign jurisdictions had no impact on income tax expense as no tax benefit was recognized due to the maintenance of a full valuation allowance.

The effective tax rate for the Successor three months ended March 31, 2020 and for the Predecessor three months ended March 31, 2019 was (5)% and (15)%, respectively. The change in the effective tax rate was primarily attributable to the amount and distribution of income and losses among the various jurisdictions in which we operate. The effective tax rates were also impacted by operating gains and losses generated in jurisdictions where no tax expense or benefit was recognized due to the maintenance of a full valuation allowance.

Other Comprehensive Loss

For the first three months of 2020, foreign currency translation negatively impacted other comprehensive loss by $42, due to an overall weakening of various foreign currencies against the U.S. dollar in the first three months of 2020 and an unrealized loss of $15 on an interest rate swap designated as a cash flow hedge recorded to other comprehensive loss.

For the first three months of 2019, foreign currency translation had no impact on other comprehensive loss, due to various foreign currencies remaining relatively flat against the U.S. dollar in the first three months of 2019.

Results of Operations by Segment

Following are net sales and Segment EBITDA (earnings before interest, income taxes, depreciation and amortization) by reportable segment. Segment EBITDA is defined as EBITDA adjusted for certain non-cash items and other income and expenses. Segment EBITDA is the primary performance measure used by our senior management, the chief operating decision-maker and the board of directors to evaluate operating results and allocate capital resources among segments. Segment EBITDA is also the profitability measure used to set management and executive incentive compensation goals. Segment EBITDA should not be considered a substitute for net loss or other results reported in accordance with U.S. GAAP. Segment EBITDA may not be comparable to similarly titled measures reported by other companies.

	Successor	Predecessor
	Three Months Ended March 31,	
	2020	2019[2]
Net Sales [1]:		
Adhesives	$ 468	$ 543
Coatings and Composites	358	343
Total	$ 826	$ 886
Segment EBITDA:		
Adhesives	$ 71	$ 76
Coatings and Composites	39	44
Corporate and Other	(21)	(17)
Total	$ 89	$ 103

(1) Intersegment sales are not significant and, as such, are eliminated within the selling segment.

(2) Previously reported Net Sales and Segment EBITDA by reportable segment for the Predecessor three months ended March 31, 2019 is shown below:

	Predecessor
	Three Months Ended March 31, 2019
Net Sales:	
Forest Products Resins	$ 395
Epoxy, Phenolic and Coating Resins	491
Total	$ 886
Segment EBITDA:	
Forest Products Resins	$ 68
Epoxy, Phenolic and Coating Resins	52
Corporate and Other	(17)
Total	$ 103

Three Months Ended March 31, 2020 vs. Three Months Ended March 31, 2019 Segment Results

Following is an analysis of the percentage change in net sales by segment from the Successor three months ended March 31, 2020 to the Predecessor three months ended March 31, 2019:

	Volume	Price/Mix	Currency Translation	Total
Adhesives	(5)%	(7)%	(2)%	(14)%
Coatings and Composites	12 %	(6)%	(2)%	4 %

Adhesives

Net sales in the first three months of 2020 decreased by $75, or 14%, when compared to the first three months of 2019. Pricing negatively impacted net sales by $36, primarily due to raw material price decreases contractually passed through to customers across many of our businesses. Volumes negatively impacted net sales by $29, primarily related to volume reductions in our phenolic specialty resins and Latin American resins businesses driven by overall weakness in the market, primarily in the automotive and construction industries. Lastly, foreign currency translation negatively impacted net sales by $10, due largely to the weakening of various foreign currencies against the U.S. dollar in the first three months of 2020 compared to the first three months of 2019.

Segment EBITDA in the first three months of 2020 decreased by $5 to $71, when compared to the first three months of 2019. This decrease was primarily driven by competitive pricing pressures in our North American forest products resins business and the volume decreases in our phenolic specialty resins business discussed above. COVID-19 negatively impacted first quarter Segment EBITDA by approximately $3.

Coatings and Composites

Net sales in the first three months of 2020 increased by $15, or 4%, when compared to the first three months of 2019. Volumes positively impacted net sales by $41 related to improved volumes in our base and specialty epoxy resins businesses driven by strong demand, most notably in global wind energy. Pricing negatively impacted net sales by $21 due primarily to raw material decreases contractually passed through to customers across many of our businesses, as well as continued competitive market conditions in our base epoxy resins business. Foreign currency translation negatively impacted net sales by $5, due primarily to the weakening of various foreign currencies against the U.S. dollar in the first three months of 2020 compared to the first three months of 2019.

Segment EBITDA in the first three months of 2020 decreased by $5 to $39 compared to the first three months of 2019. The decrease was primarily due to margin reductions in our base epoxy resins business driven by continued competitive market conditions, partially offset by margin and volume improvements in our versatic acids business. COVID-19 negatively impacted first quarter Segment EBITDA by approximately $1.

Corporate and Other

Corporate and Other is primarily corporate, general and administrative expenses that are not allocated to the other segments, such as shared service and administrative functions and unallocated foreign exchange gains and losses. Corporate and Other charges in the first three months of 2020 increased by $4 compared to the first three months of 2019 due primarily to timing of incentive and group insurance accruals of $2, unfavorable foreign exchange impacts of $1 and the impact of termination of our Shared Services Agreement with MPM, partially offset by savings associated with our ongoing cost reduction efforts.

Reconciliation of Net Loss to Segment EBITDA:

	Successor	Predecessor
	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Reconciliation:		
Net loss	$ (59)	$ (52)
Income tax expense	3	7
Interest expense, net	26	80
Depreciation and amortization (1)	58	26
EBITDA	28	61
Adjustments to arrive at Segment EBITDA:		
Asset impairments	$ 16	$ —
Business realignment costs	21	4
Transaction costs	3	23
Realized and unrealized foreign currency losses	6	1
Other non-cash items (2)	12	2
Other	3	12
Total adjustments	61	42
Segment EBITDA	$ 89	$ 103
Segment EBITDA (3):		
Adhesives	$ 71	$ 76
Coatings and Composites	39	44
Corporate and Other	(21)	(17)
Total	$ 89	$ 103

(1) For the three months ended March 31, 2020 accelerated depreciation of $2 has been included in “Depreciation and amortization.”
(2) For the three months ended March 31, 2020, primarily included expenses for stock-based compensation costs of $5, long-term retention programs of $3 and non-cash fixed asset write-offs of $2.
(3) Previously reported Segment EBITDA by reportable segment for the Predecessor three months ended March 31, 2019 is shown below:

	Predecessor
	Three Months Ended March 31, 2019
Segment EBITDA:	
Forest Products Resins	$ 68
Epoxy, Phenolic and Coating Resins	52
Corporate and Other	(17)
Total	$ 103

Items Not Included in Segment EBITDA

Not included in Segment EBITDA are certain non-cash items and other unusual or non-recurring income and expenses.

For the Successor three months ended March 31, 2020, business realignment costs primarily included severance costs of $8 related to certain in-process cost reduction activities, $6 related to certain in-process facility rationalizations, $4 of one-time implementation costs associated with the creation of a business services group within the Company and a $2 increase in legacy environmental reserves for future clean-up of closed facilities. For the Predecessor three months ended March 31, 2019, business realignment costs primarily included costs related to certain in-process facility rationalizations and cost reduction activities.

For the Successor three months ended March 31, 2020, transaction costs included certain professional fees related to strategic projects. For the Predecessor three months ended March 31, 2019, transaction costs primarily included $21 of certain professional fees and other expenses related to our Chapter 11 Proceedings incurred prior to the date of filing.

For the Successor three months ended March 31, 2020, items classified as “Other” included expenses related to legacy liabilities. For the Predecessor three months ended March 31, 2019, items classified as “Other” primarily included expenses from management fees and expenses related to legacy liabilities.

Liquidity and Capital Resources

2020 Outlook

Following our emergence from our Chapter 11 proceedings, we believe we are favorably positioned to fund our ongoing liquidity requirements for the foreseeable future through cash generated from operations, as well as available borrowings under our ABL Facility. The impact of the Plan on our capital structure resulted in a reduction of more than $200 in our annual debt service obligations and the additional liquidity from the Rights Offerings has provided operational and financial flexibility and allowed us to be well positioned to make strategic capital investments, leverage our leadership positions with both our customers and suppliers, optimize our portfolio and drive new growth programs.

As the impact of the COVID-19 pandemic on the global economy and our operations evolves, we will continue to assess our liquidity needs. We have taken a number of actions to mitigate the unfavorable liquidity impacts of the pandemic, including:

- Reducing our anticipated 2020 capital expenditures to between $100 and $110 and reviewing the timing of manufacturing turnarounds at certain of our sites;
- Continuing to focus on reducing working capital, which we expect to be positively impacted by the pass through of significantly lower raw material prices;
- Reducing selling, general and administrative expense wherever possible, including travel and other discretionary spending items, as well as moving to a managed services model;
- Delaying approximately $15 of certain tax payments to later in 2020 and deferring $5 of certain tax payments to future years in conjunction with the Coronavirus Aid, Relief and Economic Security ("CARES") Act and tax relief measures in other jurisdictions where we operate; and
- Drawing down $164 on our ABL Facility as a precautionary measure to increase cash balances and preserve financial flexibility.

Our short-term cash needs are expected to include funding operations as currently planned and we believe that we will be able to meet our liquidity needs over the next 12 months based on our current projections of cash flow from operations and borrowing availability under financing arrangements.

At March 31, 2020, we had $1,914 of outstanding debt and $440 in liquidity consisting of the following:

- $246 of unrestricted cash and cash equivalents (of which $124 is maintained in foreign jurisdictions);
- $126 of borrowings available under our ABL Facility ($350 borrowing base less $164 of outstanding borrowings and $60 of outstanding letters of credit); and
- $68 of time drafts and borrowings available under credit facilities at certain international subsidiaries

Our net working capital (defined as accounts receivable and inventories less accounts payable) at March 31, 2020 and December 31, 2019 was $452 and $356, respectively. A summary of the components of our net working capital as of March 31, 2020 and December 31, 2019 is as follows:

	March 31, 2020	% of LTM Net Sales	December 31, 2019	% of LTM Net Sales
Accounts receivable	$ 451	14 %	$ 365	11 %
Inventories	316	10 %	332	10 %
Accounts payable	(315)	(10)%	(341)	(10)%
Net working capital [1]	$ 452	14 %	$ 356	11 %

(1) Management believes that this non-GAAP measure is useful supplemental information. This non-GAAP measure should be considered by the reader in addition to but not instead of, the financial statements prepared in accordance with GAAP.

The increase in net working capital of $96 from December 31, 2019 was driven by an increase in accounts receivable of $86 and a decrease in accounts payable of $26, partially offset by a decrease in inventory of $16. The increase in accounts receivable was primarily the result of increased volumes in the first quarter of 2020 compared to the fourth quarter of 2019 due to seasonality of our businesses, and the decrease in inventories was driven by raw material price decreases in the first quarter of 2020. The decrease in accounts payable was largely related to timing of vendor payments as well as raw material price decreases. The overall change in working capital is consistent with historical seasonality.

Sources and Uses of Cash

Following are highlights from our unaudited Condensed Consolidated Statements of Cash Flows:

	Successor		Predecessor	
	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
(Uses) sources of cash:				
Operating activities	$	(102)	$	(154)
Investing activities		(32)		(19)
Financing activities		136		156
Effect of exchange rates on cash flow		(6)		—
Net change in cash and cash equivalents	$	(4)	$	(17)

Operating Activities

In the first three months of 2020, operations used $102 of cash. Net loss of $59 included $85 of net non-cash expense items, consisting of depreciation and amortization of $58, non-cash asset impairments of $16, unrealized foreign currency losses of $5, non-cash stock based compensation expense of $5 and partially offset by a deferred tax benefit of $2. Net working capital used $105, which was largely driven by increases in accounts receivable due primarily to seasonality of our businesses. Changes in other assets and liabilities and income taxes payable used $23 due to the timing of when items were expensed versus paid, which primarily included operating lease expense, interest expense, employee retention programs, incentive compensation, pension plan contributions and taxes.

In the first three months of 2019, operations used $154 of cash. Net loss of $52 included $26 of net non-cash expense items related to depreciation and amortization. Net working capital used $125, which was largely driven by increases in accounts receivables due primarily to seasonality of our businesses. Changes in other assets and liabilities and income taxes payable used $3 due to the timing of when items were expensed versus paid, which primarily included operating lease expense, interest expense, employee retention programs, incentive compensation, pension plan contributions and taxes.

Investing Activities

In the first three months of 2020, investing activities used $32 of cash related to capital expenditures. In the first three months of 2019, investing activities used $19 of cash related to capital expenditures.

Financing Activities

In the first three months of 2020, financing activities provided $136 of cash. Net short-term debt borrowings were $10, net long-term debt borrowings were $156 and distribution of affiliate loan of $10. Our long-term debt borrowings primarily consisted of $164 of ABL borrowings in the first quarter of 2020.

In the first three months of 2019, financing activities provided $156 of cash. Net long-term debt borrowings were $156. Our long-term debt borrowings primarily consisted of $159 of additional ABL borrowings in the first quarter of 2019.

There are certain restrictions on the ability of certain of our subsidiaries to transfer funds to Hexion Inc. in the form of cash dividends, loans or otherwise, which primarily arise as a result of certain foreign government regulations or as a result of restrictions within certain subsidiaries’ financing agreements limiting such transfers to the amounts of available earnings and profits or otherwise limit the amount of dividends that can be distributed. In either case, we have alternative methods to obtain cash from these subsidiaries in the form of intercompany loans and/or returns of capital in such instances where payment of dividends is limited to the extent of earnings and profits.

Covenant Compliance

New Credit Facilities and Senior Notes

The instruments that govern our indebtedness contain, among other provisions, restrictive covenants (and incurrence tests in certain cases) regarding indebtedness, dividends and distributions, mergers and acquisitions, asset sales, affiliate transactions, capital expenditures and, in the case of our ABL Facility, the maintenance of a financial ratio (depending on certain conditions). Payment of borrowings under the ABL Facility and our notes may be accelerated if there is an event of default as determined under the governing debt instrument. Events of default under the credit agreement governing our ABL Facility includes the failure to pay principal and interest when due, a material breach of representations or warranties, events of bankruptcy, a change of control, and most covenant defaults. Events of default under the indentures governing our notes include the failure to pay principal and interest, a failure to comply with covenants, subject to a 30-day grace period in certain instances, and certain events of bankruptcy.

The indenture that governs our 7.875% Senior Notes due 2027 (the "Indenture") contains a Pro Forma EBITDA to Fixed Charges ratio incurrence test which may restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet this ratio (measured on a last twelve months, or LTM, basis) of at least 2.0:1. The Pro Forma EBITDA to Fixed Charges Ratio under the Indenture is generally defined as the ratio of (a) Pro Forma EBITDA to (b) net interest expense excluding the amortization or write-off of deferred financing costs, each measured on an LTM basis. See below for our Pro Forma EBITDA to Fixed Charges Ratio calculation.

Our ABL Facility, which is subject to a borrowing base, does not have any financial maintenance covenant other than a minimum fixed charge coverage ratio of 1.0 to 1.0 that would only apply if our availability under the ABL Facility at any time is less than the greater of (a) $30 and (b) 10.0% of the lesser of the borrowing base and the total ABL Facility commitments at such time. The fixed charge coverage ratio under the credit agreement governing the ABL Facility is generally defined as the ratio of (a) Pro Forma EBITDA minus non-financed capital expenditures and cash taxes to (b) debt service plus cash interest expense plus certain restricted payments, each measured for the four most recent quarters for which financial statements have been delivered.

Reconciliation of Last Twelve Months Net Income to Pro Forma EBITDA

Pro Forma EBITDA is defined as EBITDA adjusted for certain non-cash and certain non-recurring items and other adjustments calculated on a pro-forma basis, including the expected future cost savings from business optimization programs or other programs and the expected future impact of acquisitions, in each case as determined under the governing debt instrument. We believe that including the supplemental adjustments that are made to calculate Pro Forma EBITDA provides additional information to investors about our ability to comply with our financial covenants and to obtain additional debt in the future. Pro Forma EBITDA and Fixed Charges are not defined terms under U.S. GAAP. Pro Forma EBITDA is not a measure of financial condition, liquidity or profitability, and should not be considered as an alternative to net income (loss) determined in accordance with U.S. GAAP or operating cash flows determined in accordance with U.S. GAAP. Additionally, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not take into account certain items such as interest and principal payments on our indebtedness, depreciation and amortization expense (because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate revenue), working capital needs, tax payments (because the payment of taxes is part of our operations, it is a necessary element of our costs and ability to operate), non-recurring expenses and capital expenditures. Fixed Charges under the Indenture should not be considered an alternative to interest expense.

The following table reconciles net income to EBITDA and Pro Forma EBITDA for the twelve month period that includes combined information from the Predecessor Company from April 1, 2019 through July 1, 2019 and the Successor Company from July 2, 2019 through March 31, 2020, and calculates the ratio of Pro Forma EBITDA to Fixed Charges as calculated under our Indenture for the period presented:

	March 31, 2020 LTM Period
Net income	$ 2,797
Income tax expense	209
Interest expense, net	89
Depreciation and amortization	195
EBITDA	3,290
Adjustments to arrive at Pro Forma EBITDA:	
Asset impairments	16
Business realignment costs [1]	56
Realized and unrealized foreign currency losses	5
Unrealized losses on pension and postretirement benefits [2]	5
Transaction costs [3]	16
Reorganization items, net [4]	(3,105)
Non-cash impact of inventory step-up [5]	29
Other non-cash items [6]	29
Acceleration of deferred revenue [7]	18
Other [8]	30
Cost reduction programs savings [9]	15
Pro Forma EBITDA	$ 404
Pro forma fixed charges [10]	$ 106
Ratio of Pro Forma EBITDA to Fixed Charges [11]	3.81

(1) Primarily represents costs related to certain in-process cost reduction activities, including severance costs of $25, $14 related to certain in-process facility rationalizations, an $10 increase in legacy environmental reserves for future clean-up of closed facilities and one-time implementation costs associated with the creation of a business services group within the Company of $4.

(2) Represents non-cash losses resulting from pension and postretirement benefit plan liability remeasurements.

(3) Represents certain professional fees related to strategic projects, including $8 of certain professional fees and other expenses related to our Chapter 11 proceedings incurred post-emergence.

(4) Represents incremental costs incurred directly as a result of our Chapter 11 proceedings after the date of filing, gains on the settlement of liabilities under the Plan and the net impact of fresh start accounting adjustments.

(5) Represents $29 of non-cash expense related to the step up of finished goods inventory on July 1, 2019 as part of fresh start accounting that was expensed in the successor period upon the sale of the inventory.

(6) Primarily include expenses for stock-based compensation costs of $13, non-cash fixed asset write-offs of $10 and long-term retention programs of $4.

(7) Represents the impact of deferred revenue that was accelerated on July 1 as part of fresh start accounting.

(8) Represents business optimization expenses of $6, IT outage costs of $4 and expenses related to legacy liabilities.

(9) Represents pro forma impact of in-process cost reduction programs savings. Cost reduction program savings represent the unrealized headcount reduction savings and plant rationalization savings related to cost reduction programs and other unrealized savings associated with the Company's business realignments activities, and represent our estimate of the unrealized savings from such initiatives that would have been realized had the related actions been completed at the beginning of the period presented. The savings are calculated based on actual costs of exiting headcount and elimination or reduction of site costs. We expect the savings to be realized within the next 18 months.

(10) Reflects pro forma interest expense based on interest rates at March 31, 2020.

(11) The Company's ability to incur additional indebtedness, among other actions, is restricted under the Secured Indentures, unless the Company has a Pro Forma EBITDA to Fixed Charges ratio of at least 2.0 to 1.0.

Recently Issued Accounting Standards

See Note 2 in Item 1 of Part I of this Quarterly Report on Form 10-Q for a detailed description of recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material developments during the first three months of 2020 on the matters we have previously disclosed about quantitative and qualitative market risk in our Annual Report on Form 10-K for the year ended December 31, 2019.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, including the Acting Chief Executive Officer and Executive Vice President, Chief Financial Officer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2020. Based upon that evaluation, the Acting Chief Executive Officer and Executive Vice President, Chief Financial Officer concluded that our disclosure controls and procedures were effective at March 31, 2020.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There have been no other material developments during the first quarter of 2020 in any of the ongoing legal proceedings that are included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Item 1A. Risk Factors

Our operations and results may be negatively impacted by the COVID-19 outbreak.

Global or national health concerns, including the outbreak of pandemic or contagious disease, such as the recent COVID-19 pandemic, may adversely affect us.

Since December 2019, the COVID-19 virus which was first reported in Wuhan, China, has spread further in China and other regions including Europe and the United States, where we have operations. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. Around the world, local governments' responses to COVID-19 continue to evolve, which has led to stay-at-home orders and social distancing guidelines that have disrupted various industries in the global economy and created significant volatility in the financial markets.

While the Company did not incur significant adverse financial impacts or business disruptions during the three months ended March 31, 2020 from COVID-19, future COVID developments could adversely result in business and manufacturing disruption, inventory shortages, delivery delays, our ability to obtain financing on favorable terms, and reduced sales due to an economic downturn that could affect demand for our products. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

This item is not applicable to the registrant.

Item 5. Other Information

As of the filing date of this current report on Form 10-Q, Craig Rogerson, the Company's Chairman and Chief Executive Officer ("CEO"), remains on a medical leave of absence. As resolved by the Hexion Holdings Board of Directors on March 29, 2020, George Knight, the Company's Executive Vice President and Chief Financial Officer, has been named acting CEO and has assumed all of Mr. Rogerson's authority and responsibilities until he returns from his leave of absence.

Item 6. Exhibits

10.1†	Hexion Holdings Corporation 2020 Incentive Compensation Plan
10.2†	Hexion Holdings Corporation 2019 Omnibus Incentive Plan Performance Stock Unit Award Agreement
10.3†	Hexion Holdings Corporation 2019 Omnibus Incentive Plan Restricted Stock Unit Award Agreement
31.1	Rule 13a-14 Certifications:
	(a) Certificate of the Acting Chief Executive Officer and Executive Vice President, Chief Financial Officer
32.1	Section 1350 Certifications
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document
101.LAB*	XBRL Label Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document

* Attached as Exhibit 101 to this report are documents formatted in XBRL (Extensible Business Reporting Language). The financial information in the XBRL-related documents is “unaudited” or “unreviewed.”

† Represents a management contract or compensatory plan or arrangement

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEXION INC.

Date: May 14, 2020

/s/ George F. Knight

George F. Knight

Acting Chief Executive Officer and Executive Vice President, Chief Financial Officer

(Principal Financial Officer)

Hexion Holdings CORPORATION
2020 INCENTIVE COMPENSATION PLAN (the "Plan")

Purpose of the Plan

The Plan is sponsored by Hexion Holdings Corporation ("Hexion Holdings") to reward associates of Hexion Inc. ("Hexion") and its subsidiaries for delivering increased value by profitably growing the business and controlling costs. The Plan is designed to link rewards with critical financial metrics for the purpose of promoting actions which are the most beneficial to Hexion's short-term and long-term value creation.

Administration

The Plan shall be administered by and awards under the Plan shall be authorized by the Compensation Committee (the "Committee") of Hexion Holdings' Board of Directors (the "Board"). The Committee may delegate some of its authority under the Plan to management or as is otherwise stated in the Plan. The Committee has the right to amend or terminate this Plan at any time.

Plan Year

January 1, 2020 - December 31, 2020

Eligibility for Participation

Participation is based on each associate's scope of responsibility and contribution to the organization. Each participant has a plan assignment of Corporate, Corporate-BU Blended (Global Hexion plus Business Unit) or Business Unit.

Plan Performance Measures

The Plan performance measures are based on three performance criteria: EBITDA, EH&S and Cash Flow.

EBITDA (sometimes also referred to as Segment EBITDA)

EBITDA refers to Earnings before Interest, Taxes, Depreciation and Amortization, adjusted to exclude (i) certain non-cash items, (ii) certain other income and expenses and (iii) discontinued operations. EBITDA is a critical measure on which the investment community and future shareholders will evaluate Hexion's performance. As a result, participants should be focused and incented to manage the business to achieve EBITDA targets.

Segment EBITDA will be measured for Global Hexion and for each specified Hexion Business Unit. Participants have a total of sixty-five (65) percent of their incentive target based on the achievement of EBITDA targets. EBITDA achievement measured for Global Hexion and each specified Business Unit may exclude certain unusual, non-recurring items at the discretion of the Committee.

Environmental Health and Safety (EH&S)

EH&S measures environmental and safety results including (i) SIFs - severe incident factors, (ii) OIIR - occupational illness and injury rate and (iii) total environmental events (ERI). EH&S will be measured for Global Hexion.

Participants have a total of ten (10) percent of their incentive target based on the achievement of EH&S goals - five (5) percent for SIF’s and two and one-half (2.5) percent each for OIIR and ERI.

New in 2020: In the definition of total environmental events, Hexion Reportable Release is being replaced by PSI Tier 2 Spill (which is a Loss of Primary Containment that meets the Tier 2 threshold quantity as defined by the Center for Chemical Process Safety (CCPS)). Total environmental incidents will still include Top Level Environmental Events (federally reportable releases and permit exceedances).

Cash Flow

Cash Flow represents the amount of cash generated by business operations. Cash flow is defined as EBITDA, net trading capital improvement and/or usage, capital spending and interest paid along with other operating cash flow items such as income taxes paid and pension contributions. The purpose of this component is to focus on cost control and cost reduction actions to preserve an adequate amount of liquidity to fund operations and capital expenditures, service debt, and ultimately sustain the business through difficult economic cycles.

Cash Flow will be measured for Global Hexion, and may exclude certain unusual, non-recurring items at the discretion of the Committee.

Participants have a total of twenty-five (25) percent of their incentive target based on the achievement of Cash Flow targets.

New in 2020: Free Cash Flow has been replaced with Cash Flow from Operations.

Target Incentive

Each participant will have a target incentive opportunity expressed as a percent of his or her base salary. Plan assignments and targets are determined by the associate's business responsibilities and scope of his or her role and contributions within the organization.

Plan Structure

The following tables depict the structure described above.

Plan Level	Segment EBITDA	EH&S	Cash Flow
Corporate	65% Global Hexion	10% Global Hexion	25% Global Hexion
Corporate-BU Blended	35% Global Hexion 15% Adhesives 15% Coatings and Composites	10% Global Hexion	25% Global Hexion
Business Unit(1)	32.5% Global Hexion 32.5% Business Unit	10% Global Hexion	25% Global Hexion

(1) Business Unit refer to the applicable business unit plan assignment as determined by the Committee.

Calculation of Incentive Payments

Payment based on the EBITDA measure will range from a minimum of one (1) percent of the EBITDA incentive opportunity to a maximum of 200 percent of the EBITDA incentive opportunity based on applicable EBITDA achievement. Payment based on the Cash Flow measure will range from a minimum of one (1) percent of the Cash Flow incentive opportunity to a maximum of 200 percent of the Cash Flow incentive opportunity based on applicable Cash Flow achievement. Payment based on the EH&S measures will range from 30 percent of the applicable EH&S incentive opportunity to a maximum of 200 percent of the applicable EH&S incentive opportunity based on the applicable EH&S achievement. There will be no payout based on EH&S achievement if, during the plan year, any incident at a Hexion site results in a fatality.

Calculation of EBITDA performance between the minimum and target performance levels and the target and maximum performance levels will be linear, rounded to the nearest 1/10th of one percent. There is no additional payment made for performance above the maximum level of performance.

Each of the performance measures is evaluated independently such that a payout for achieving one performance measure is not dependent upon the achievement of any other performance measure.

Basis for Award Payouts

Financial Results

Any Plan payouts require the prior approval of the Chairs of the Audit and Compensation Committees of the Board if they are to be made before audited financial results have been formally approved and publicly announced.

Plan Assignments

Any change in a participant’s plan assignment that is not related to a job transfer must be approved by an appropriate Vice President. Plan assignments for each associate are audited at the start of the plan year to conform to any additions or removals of plan assignments.

Limitations

The Committee may elect to modify the calculation of the annual targets based on acquisitions, divestitures or other unusual, non-recurring events or transactions that occur during the plan year.

Eligibility Requirement

To receive an incentive payment, a plan participant must be actively employed by Hexion on the final day of the Plan Year.

Payments

Generally, payouts under the Plan are made no later than the last payroll period in April following the end of the Plan Year. Incentive payments are subject to applicable taxes, garnishment, and wage orders. If a plan participant is on a leave of absence at the time of payout, the award will be paid at the same time as other plan participants.

Proration of Payments

Proration of payments will be made on a daily basis. A participant's incentive payment will be prorated for any of the following conditions:

a. New Hires: Awards to participants who commenced employment during the Plan Year will be prorated. Rehires are considered new hires, when an associate terminates and is rehired in the same plan year.

b. Salary: Awards will be calculated based on the participant's base salary as of July 1st. Awards to participants whose base salary changes after July 1 will be prorated. Changes to part-time status will be adjusted for accordingly.

c. Job Changes or Transfers:

   1. Awards to participants who experience a job change or transfer during the Plan Year-which results in a different ICP target or plan assignment-will be prorated.
   2. In the event of currency change, the payment will be made in the currency of record on of 12/31.

d. Leaves of Absence: For approved leaves of absence that exceed 12 cumulative weeks (84 days), the amount of time not worked beyond the 12 weeks will be excluded from the Plan Year and the associate will receive a prorated incentive.

* * *

The Plan remains at the total discretion of the Committee. Hexion Holdings retains the right to amend or adapt the design and rules of the Plan. Local laws will prevail where necessary.

Exhibit 10.2

HEXION HOLDINGS CORPORATION
2019 OMNIBUS INCENTIVE PLAN
PERFORMANCE STOCK UNIT
AWARD AGREEMENT

THIS PERFORMANCE STOCK UNIT AWARD AGREEMENT (this "Agreement"), effective as of March 9, 2020, is made by and between Hexion Holdings Corporation, a Delaware corporation (the "Company"), and {FIRST NAME} {LAST NAME} (the "Participant"). Capitalized terms used in this Agreement and not otherwise defined herein have the meanings ascribed to such terms in the Hexion Holdings Corporation 2019 Omnibus Incentive Plan, as amended, restated, or otherwise modified from time to time in accordance with its terms (the "Plan").

WHEREAS, the Company has adopted the Plan, pursuant to which performance stock units ("PSUs") may be granted; and

WHEREAS, the Committee has determined that it is in the best interests of the Company and its stockholders to grant the PSUs provided for herein to the Participant on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, for and in consideration of the promises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. **Grant of Performance Stock Units.**

(a) Grant. The Company hereby grants to the Participant a total of {NUMBER OF PSUs} PSUs, on the terms and subject to the conditions set forth in this Agreement and as otherwise provided in the Plan. The PSUs shall initially be 100% unvested and shall be earned in accordance with Section 2. The PSUs shall be credited to a separate book-entry account maintained for the Participant on the books of the Company.

(b) Incorporation by Reference. The provisions of the Plan are incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules, and regulations promulgated by the Committee from time to time pursuant to the Plan. The Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon the Participant and the Participant's beneficiary in respect of any questions arising under the Plan or this Agreement. The Participant acknowledges that the Participant has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

2. **Earning; Vesting; Settlement.**

(a) Except as may otherwise be provided herein, the PSUs shall be earned and eligible to vest based on achievement of the applicable performance criteria as described below for the period commencing on January 1, 2020, and ending on December 31, 2022 (the "Performance Period"), subject to the Participant's continued employment with, appointment as a director of, or engagement to provide services to, the Company or any of its Affiliates through the date on which the Committee certifies the achievement of the performance criteria following the end of the Performance Period (the "Determination Date"). As of the Determination Date, any PSUs that are deemed earned by the Committee based on the performance criteria described below, shall be deemed "earned PSUs."

The PSUs shall be earned based on the following performance criteria:

(i) EBITDA PSUs. 50% of the PSUs (the "EBITDA PSUs") shall be earned based on the Company's EBITDA Margin (as defined below) for the last year of the Performance Period equaling or exceeding the percentages set forth below:

EBITDA Margin	**Percentage of EBITDA PSUs Earned**
13%	50%
15%	100%
17%	150%

For purposes of determining the percentage of EBITDA PSUs that are earned pursuant to this Section 2(a)(i), if the EBITDA Margin for the last year of the Performance Period is between 13% and 17%, the percentage of EBITDA PSUs that shall be earned shall be based on linear interpolation. For the avoidance of doubt, if the EBITDA Margin for the last year of the Performance Period does not equal or exceed 13%, none of the EBITDA PSUs shall be earned, and if the EBITDA Margin for the last year of the Performance Period exceeds 17%, no more than 150% of the EBITDA PSUs shall be earned.

(ii) Adjusted ROIC PSUs. The remaining 50% of the PSUs (the "Adjusted ROIC PSUs") shall be earned based on the Company's Adjusted ROIC (as defined below) for the last year of the Performance Period equaling or exceeding the percentages set forth below:

Adjusted ROIC	**Percentage of Adjusted ROIC PSUs Earned**
13%	50%
14%	100%
15%	150%

For purposes of determining the percentage of Adjusted ROIC PSUs that are earned pursuant to this Section 2(a)(ii), if the Adjusted ROIC for the last year of the Performance Period is between 13% and 15%, the percentage of Adjusted ROIC PSUs that shall be earned shall be based on linear interpolation. For the avoidance of doubt, if the Adjusted ROIC for the last year of the Performance Period does not equal or exceed 13%, none of the Adjusted ROIC PSUs shall be earned, and if the Adjusted ROIC for the last year of the Performance Period exceeds 15%, no more than 150% of the Adjusted ROIC PSUs shall be earned.

(b) Except as provided in Section 2(c) and Section 4, any earned PSUs shall vest and be settled in shares of Common Stock as soon as administratively feasible, but in no event later than 30 days following July 1, 2023.

(c) Notwithstanding the foregoing, if a Change in Control occurs prior to the end of the Performance Period, the Performance Period shall expire immediately following such Change in Control and a number of PSUs equal to the product of (x) the number of PSUs granted hereunder multiplied by (y) a fraction, the numerator of which is the number of days that elapsed from January 1, 2020, through the date of the Change in Control and the denominator of which is the number of days from January 1, 2020, through December 31, 2022, shall be deemed earned and shall vest immediately upon such Change in Control. Any PSUs that are deemed earned in accordance with this Section 2(c) shall vest and be settled as soon as administratively feasible, but in no event later than 14 days, following such Change in Control in an amount of cash equal to the Fair Market Value of such vested PSUs on the date of the Change in Control; provided, that if the Change in Control is not also a change in control event within the meaning of Section 409A of the Code, such amount shall be paid at the time set forth in Section 2(b).

(d) Certain Definitions.

(i) "Adjusted ROIC" equals a percentage, the numerator of which is (x) the sum of Taxed EBIT and the Company's depreciation and amortization, and the denominator of which is (y) any gross third-party debt plus the book value of the Company's equity minus any cash and cash equivalents, in each case, as of the last year of the Performance Period, as determined in the sole discretion of the Committee.

(ii) "EBITDA Margin" equals a percentage calculated with Segment EBITDA as the numerator and Net Trade Sales as the denominator, as determined in the sole discretion of the Committee.

(iii) "Net Trade Sales" equals Gross Trade Sales less deductions, as of the last year of the Performance Period.

(iv) "Segment EBITDA" equals the Company's earnings before interest, taxes, depreciation and amortization, determined consistent with the Company's bank compliance reporting and other adjustments as determined by the Committee as of the last year of the Performance Period.

(v) "Taxed EBIT" equals the product of (x) the Company's earnings before interest and taxes as of the last year of the Performance Period, multiplied by (y) (i) one minus (ii) the Company's normalized effective tax rate, as determined in the sole discretion of the Committee.

3. Dividend Equivalents. In the event of any issuance of a cash dividend on the shares of Common Stock (a "Dividend"), the Participant shall be credited, as of the payment date for such Dividend, with an additional number of PSUs (each, an "Additional PSU") equal to the quotient obtained by dividing (x) the product of (i) the number of PSUs granted pursuant to this Agreement and outstanding as of the record date for such Dividend multiplied by (ii) the amount of the Dividend per share, by (y) the Fair Market Value per share on the payment date for such Dividend, such quotient to be rounded to the nearest hundredth. Once credited, 50% of the Additional PSUs shall be allocated as

EBITDA PSUs and the remaining 50% of Additional PSUs shall be allocated as Adjusted ROIC PSUs, and, in each case, shall be treated as a PSU granted hereunder and shall be subject to all terms and conditions set forth in this Agreement and the Plan.

4. **Termination of Employment or Services.**

(a) Generally. Except as otherwise provided herein, if the Participant's employment with, membership on the board of directors of, or engagement to provide services to the Company or any of its Affiliates terminates for any reason, all unvested PSUs (including any earned but unsettled PSUs) shall be canceled immediately and the Participant shall not be entitled to receive any payments with respect thereto.

(b) Termination for Cause. If the Participant's employment with, membership on the board of directors of, or engagement to provide services to the Company or any of its Affiliates is terminated by the Company for Cause, all unvested PSUs (including any earned but unsettled PSUs) shall be canceled immediately and the Participant shall not be entitled to receive any payments with respect thereto.

(c) Termination without Cause or for Good Reason. If the Participant's employment with, membership on the board of directors of, or engagement to provide services to the Company or any of its Affiliates is terminated by the Company without Cause or by the Participant for Good Reason (as defined in the Participant's employment, consulting, change-in-control, severance or other agreement with Company or an Affiliate in effect at the time of the Participant's termination), a portion of the PSUs shall remain eligible to be earned in accordance with Sections 2(a) and 2(c); provided, that the number of PSUs that shall become eligible to be earned in accordance with this Section 4(c) shall equal the number that is equal to the product of (x) the number of PSUs granted hereunder multiplied by (y) a fraction, the numerator of which is the number of days that elapsed from January 1, 2020, through the date of the Participant's termination and the denominator of which is the number of days from January 1, 2020, through December 31, 2022. Each PSU that was an earned PSU as of such termination or is earned in accordance with this Section 4(c) shall vest and be settled in accordance with the terms of Sections 2(b) or 2(c) hereof, as applicable.

(d) Death or Disability. If the Participant's employment with, membership on the board of directors of, or engagement to provide services to the Company or any of its Affiliates is terminated due to the Participant's death or Disability, any earned PSUs shall vest and be settled as soon as administratively feasible, but in no event later than 30 days, following the date of such termination and any unearned PSUs shall be cancelled immediately and the Participant shall not be entitled to receive any payments with respect thereto.

(e) Retirement. Upon the Participant's Retirement (as defined below), then the PSUs shall remain eligible to be earned in accordance with Section 2(a); provided, that the number of PSUs that shall become eligible to be earned in accordance with this Section 4(e) shall equal the number that is equal to the product of (x) the number of PSUs granted hereunder multiplied by (y) a fraction, the numerator of which is the number of days that elapsed from January 1, 2020, through the date of the Participant's termination and the denominator of which is the number of days from January 1, 2020, through December 31, 2022. Each PSU that was an earned PSU as of such Retirement or is earned in accordance with this Section 4(e) shall vest and be settled in accordance with the terms of Section 2(b) hereof. For purposes of this Section 4(e), "Retirement" shall mean the Participant's voluntary termination of his or her employment on or following the date on which the Participant has attained age 60 and at least five years of service with the Company at a time when the Company or any of its Affiliates does not have Cause to terminate the Participant's employment; provided, that in order for the PSUs to be eligible to be earned in accordance with this Section 4(e) upon a Retirement, the Participant must provide no less than four months' advance written notice to the Company of such intended Retirement.

5. **Rights as a Stockholder.** The Participant shall not be deemed for any purpose to be the owner of any shares of Common Stock underlying the PSUs unless, until and to the extent that (a) the Company shall have issued and delivered to the Participant the shares of Common Stock underlying the PSUs and (b) the Participant's name shall have been entered as a stockholder of record with respect to such shares of Common Stock on the books of the Company. The Company shall cause the actions described in clauses (a) and (b) of the preceding sentence to occur promptly following settlement as contemplated by this Agreement, subject to compliance with applicable laws.

6. **Compliance with Legal Requirements.**

(a) Generally. The granting and settlement of the PSUs, and any other obligations of the Company under this Agreement, shall be subject to all applicable U.S. federal, state and local laws, rules and regulations, all applicable non-U.S. laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Participant agrees to take all steps that the Committee or the Company determines are reasonably necessary to comply with all applicable provisions of U.S. federal and state securities law and non-U.S. securities law in exercising the Participant's rights under this Agreement.

(b) Tax Withholding. Vesting and settlement of the PSUs shall be subject to the Participant's satisfying any applicable U.S. federal, state, and local tax withholding obligations and non-U.S. tax withholding obligations. At the time each PSU vests or is settled, as applicable, the Company shall have the right and is hereby authorized to withhold from any amounts payable to the Participant in connection with the PSUs or otherwise the amount of any required withholding taxes in respect of the PSUs, their settlement or any payment or transfer of the PSUs or under the Plan and to take any such other action as the Committee or the Company deem necessary to satisfy all obligations for the payment of such withholding taxes (up to the maximum permissible withholding amounts), including the right to sell the number of shares of Common Stock that would otherwise be available for delivery upon settlement of the PSUs necessary to generate sufficient proceeds to satisfy withholding obligations. Subject to the prior approval of the Committee, the Participant may elect to satisfy, and the Company may require the Participant to satisfy, in whole or in part, the tax obligations by withholding shares of Common Stock that would otherwise be deliverable to the Participant upon settlement of the PSUs with a Fair Market Value equal to such withholding liability.

7. **Clawback/Forfeiture.** For the sake of clarity, the clawback provisions of Section 13(v) (Clawback/Forfeiture) of the Plan are incorporated by reference into this Agreement. In addition, if the Participant's employment with, membership on the board of directors of, or

engagement to provide services to the Company or any of its Affiliates is terminated by the Company for Cause, the Committee may, in its sole discretion, require that the Participant promptly repay any amounts or Common Stock that was settled in respect of PSUs within three years prior to the date of such termination.

8. **Non-Competition; Non-Solicitation.**

(a) The Participant shall not, at any time during the Participant's employment or service with the Company or during the 12 month period following the termination thereof for any reason, directly or indirectly engage in, have any equity interest in, or manage or operate any Person, firm, corporation, partnership, business, or entity (whether as director, officer, employee, agent, representative, partner, security holder, consultant, or otherwise) that engages (either directly or through any subsidiary or Affiliate thereof) in any business or activity that competes with any of the businesses of the Company or any of its Affiliates; provided, that upon a sale, transfer, or other disposition of all or substantially all of the Common Stock, business, or assets of the Company to an entity that is not an Affiliate of the Company, the restrictions described in this Section 8(a) shall no longer apply. Notwithstanding the foregoing, the Participant shall be permitted to acquire a passive stock or equity interest in such a business whose stock or equity interests are publicly traded on a national securities exchange, provided that the stock or other equity interest acquired is not more than five percent of the outstanding interest in such business.

(b) The Participant shall not, at any time during the Participant's employment or service with the Company or during the 12 month period following the termination thereof for any reason, directly or indirectly (i) solicit, induce, or attempt to solicit or induce any officer, director, employee, or independent contractor of the Company or any of its direct or indirect subsidiaries or Affiliates, to terminate his or her relationship with, or to leave the employ or service of, the Company or any such subsidiary or Affiliate, or to interfere in any way with the relationship between the Company or any such subsidiary or Affiliate, on the one hand, and any officer, director, employee, or independent contractor thereof, on the other hand, (ii) hire (or otherwise engage in a service relationship) any Person (in any capacity whether as an officer, director, employee, or consultant) who is or at any time was an officer, director, employee, or consultant of the Parent or any of its direct or indirect subsidiaries until six months after such individual's relationship (whether as an officer, director, employee, or consultant) with the Company or such subsidiary or Affiliate has ended, or (iii) induce or attempt to induce any customer, supplier, prospect, licensee, or other business relation of the Company or any of its direct or indirect subsidiaries or Affiliates to cease doing business with the Company or such subsidiary of Affiliate, or in any way interfere with the relationship between any such customer, supplier, prospect, licensee, or business relation, on the one hand, and the Company or such subsidiary or Affiliate, on the other hand.

(c) In the event that the terms of this Section 8 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it will be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

9. **Nondisclosure of Confidential Information; Non-disparagement; Intellectual Property.**

(a) Nondisclosure of Confidential Information; Return of Property.

(i) Except as required in the faithful performance of the Participant's employment duties to the Company, during or after the Participant's employment or service with the Company, in perpetuity, the Participant shall maintain in confidence and shall not directly or indirectly use, disseminate, disclose, or publish, or use for the Participant's benefit or the benefit of any Person, any confidential or proprietary information or trade secrets of or relating to the Company or any of its Affiliates, including, without limitation, information with respect to the Company's or any of its Affiliates' operations, processes, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, regulatory status, compensation paid to employees, or other terms of employment, and the Participant shall not deliver to any Person any document, record, notebook, computer program, or similar repository of or containing any such confidential or proprietary information or trade secrets (collectively, "Confidential Information"). Upon the Participant's termination of employment or service for any reason, the Participant shall promptly deliver to the Company all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, and other documents concerning or containing Confidential Information then in the Participant's possession. The Participant may nonetheless retain copies of documents relating to the Participant's compensation, the Participant's personal entitlements and obligations, the Participant's rolodex (and electronic equivalents), and the Participant's cell phone number. The Participant may respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought and, if requested by the Company, shall reasonably assist such counsel in resisting or otherwise responding to such process.

(ii) Notwithstanding the foregoing, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the Company's trade secrets to the Participant's attorney and use the trade secret information in the court proceeding if the Participant (1) files any document containing the trade secret under seal; and (2) does not disclose the trade secret, except pursuant to court order.

(b) Non-Disparagement. The Participant shall not, at any time during or after the Participant's employment or service with the Company, in perpetuity, directly or indirectly, disparage, criticize, or otherwise make derogatory statements regarding the Company or any of its Affiliates, or their respective successors, directors, or officers. The foregoing shall not be violated by the Participant's truthful responses to legal process or inquiry by a governmental authority.

(c) Intellectual Property Rights.

(i) The Participant agrees that the results and proceeds of the Participant's services for the Company or its subsidiaries or Affiliates (including, but not limited to, any trade secrets, products, services, processes, know-how, designs, developments, innovations, analyses, drawings, reports, techniques, formulas, methods, developmental, or experimental work, improvements, discoveries, inventions, ideas, source and object codes, programs, matters of a literary, musical, dramatic or otherwise creative nature, writings, and other works of authorship) and any works in progress, whether or not patentable or registrable under copyright or similar statutes, that were made, developed, conceived, or reduced to practice or learned by the Participant, either alone or jointly with others (collectively, "Inventions"), shall be works-made-for-hire and the Company (or, if applicable or as directed by the Company, any of its subsidiaries or Affiliates) shall be deemed the sole owner throughout the universe of any and all trade secret, patent, copyright, and other intellectual property rights (collectively, "Proprietary Rights") of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, with the right to use the same in perpetuity in any manner the Company determines in its sole discretion, without any further payment to the Participant whatsoever. If, for any reason, any of such results and proceeds shall not legally be a work-made-for-hire and/or there are any Proprietary Rights that do not accrue to the Company (or, as the case may be, any of its subsidiaries or Affiliates) under the immediately preceding sentence, then the Participant hereby irrevocably assigns and agrees to assign any and all of the Participant's right, title, and interest thereto, including, without limitation, any and all Proprietary Rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized, or developed, to the Company (or, if applicable or as directed by the Company, any of its subsidiaries or Affiliates), and the Company or such subsidiaries or Affiliates shall have the right to use the same in perpetuity throughout the universe in any manner determined by the Company or such subsidiaries or Affiliates without any further payment to the Participant whatsoever. As to any Invention that the Participant is required to assign, the Participant shall promptly and fully disclose to the Company all information known to the Participant concerning such Invention. The Participant hereby waives and quitclaims to the Company any and all claims, of any nature whatsoever, that the Participant now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

(ii) The Participant agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, the Participant shall do any and all things that the Company may reasonably deem useful or desirable to establish or document the Company's exclusive ownership throughout the United States of America or any other country of any and all Proprietary Rights in any such Inventions, including, without limitation, the execution of appropriate copyright and/or patent applications or assignments. To the extent that the Participant has any Proprietary Rights in the Inventions that cannot be assigned in the manner described above, the Participant unconditionally and irrevocably waives the enforcement of such Proprietary Rights. This Section 9(c)(ii) is subject to and shall not be deemed to limit, restrict, or constitute any waiver by the Company of any Proprietary Rights of ownership to which the Company may be entitled by operation of law by virtue of the Participant's service with the Company. The Participant further agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, the Participant shall assist the Company in every proper and lawful way to obtain, and shall from time to time enforce, Proprietary Rights relating to Inventions in any and all countries. To this end, the Participant shall execute, verify, and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such Proprietary Rights and the assignment thereof. In addition, the Participant shall execute, verify, and deliver assignments of such Proprietary Rights to the Company or its designees. The Participant's obligation to assist the Company with respect to Proprietary Rights relating to such Inventions in any and all countries shall continue beyond the termination of the Participant's employment or service with the Company.

(d) Notwithstanding anything herein to the contrary, or in any agreement or communication between the Company and the Participant, (A) the confidentiality and nondisclosure obligations herein shall not prohibit or restrict the Participant from initiating communications directly with, or responding to any inquiry from, or providing testimony before, the U.S. Securities and Exchange Commission, any other governmental agency, any self-regulatory organization or any other state or federal regulatory authority, regarding any possible securities law violations, and (B) the Company shall not enforce or threaten to enforce, any confidentiality agreement or other similar agreement, nor take or threaten to take any other action against the Participant for engaging in the types of communications described in (A) above.

(e) As used in this Section 9, the term "Company" shall include the Company and any direct or indirect subsidiaries or Affiliates thereof or any successors thereto.

10. **Injunctive Relief.** The Participant recognizes and acknowledges that a breach of any of the covenants contained in Sections 8 and 9 will cause irreparable damage to the Company and its goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, the Participant agrees that in the event of a breach of any of the covenants contained in Sections 8 and 9, in addition to any other remedy that may be available at law or in equity, the Company will be entitled to specific performance and injunctive relief, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security.

11. **Miscellaneous.**

(a) Transferability. The PSUs may not be assigned, alienated, pledged, attached, sold, or otherwise transferred or encumbered (a "Transfer") by the Participant other than by will or by the laws of descent and distribution, pursuant to a qualified domestic relations order or as otherwise permitted under Section 13(b) of the Plan. Any attempted Transfer of the PSUs contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the PSUs, shall be null and void and without effect.

(b) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Section 409A. The PSUs are intended to be exempt from, or compliant with, Section 409A of the Code. Notwithstanding the foregoing or any provision of the Plan or this Agreement, if any provision of the Plan or this Agreement contravenes Section 409A of the Code or could cause the Participant to incur any tax, interest, or penalties under Section 409A of the Code, the Committee may, in its sole discretion and without the Participant's consent, modify such provision to (i) comply with, or avoid being subject to, Section 409A of the Code, or to avoid the incurrence of taxes, interest and penalties under Section 409A of the Code, and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the Participant of the applicable provision without materially increasing the cost to the Company or contravening the provisions of Section 409A of the Code. This Section 11(c) does not create an obligation on the part of the Company to modify the Plan or this Agreement and does not guarantee that the PSUs will not be subject to interest and penalties under Section 409A.

(d) General Assets. All amounts credited in respect of the PSUs to the book-entry account under this Agreement shall continue for all purposes to be part of the general assets of the Company. The Participant's interest in such account shall make the Participant only a general, unsecured creditor of the Company.

(e) Notices. Any notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax, pdf/email or overnight courier, or by postage-paid first-class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to the Participant, at the Participant's address indicated by the Company's records, or if to the Company, to the attention of the General Counsel at the Company's principal executive office.

(f) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(g) No Rights to Employment, Directorship or Service. Nothing contained in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant, or director of the Company or any of its Affiliates or shall interfere with or restrict in any way the rights of the Company or any of its Affiliates, which are hereby expressly reserved, to remove, terminate, or discharge the Participant at any time for any reason whatsoever.

(h) Fractional Shares. In lieu of issuing a fraction of a share of Common Stock resulting from adjustment of the PSUs pursuant to Section 11 of the Plan or otherwise, the Company shall be entitled to pay to the Participant an amount in cash equal to the Fair Market Value of such fractional share.

(i) Beneficiary. Where permitted by the Company, the Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation.

(j) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs, and successors of the Participant.

(k) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations, and negotiations in respect thereto. No change, modification, or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto, except for any changes permitted without consent under Section 11 or 12 of the Plan.

(l) Governing Law and Venue. This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to principles of conflicts of laws thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(i) Dispute Resolution; Consent to Jurisdiction. All disputes between or among any Persons arising out of or in any way connected with the Plan, this Agreement or the PSUs shall be solely and finally settled by the Committee, acting in good faith, the determination of which shall be final. Any matters not covered by the preceding sentence shall be solely and finally settled in accordance with the Plan, and the Participant and the Company consent to the personal jurisdiction of the United States federal and state courts sitting in Wilmington, Delaware, as the exclusive jurisdiction with respect to matters arising out of or related to the enforcement of the Committee's determinations and resolution of matters, if any, related to the Plan or this Agreement not required to be resolved by the Committee. Each such Person hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the last known address of such Person, such service to become effective 10 days after such mailing.

(ii) Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement or the transactions contemplated (whether based on contract, tort or any other theory). Each party hereto (A) certifies that no representative, agent, or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (B) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this section.

(m) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(n) Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (pdf)), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

(o) Electronic Signature and Delivery. This Agreement may be accepted by return signature or by electronic confirmation. By accepting this Agreement, the Participant consents to the electronic delivery of prospectuses, annual reports and other information required to be delivered by U.S. Securities and Exchange Commission rules (which consent may be revoked in writing by the Participant at any time upon three business days' notice to the Company, in which case subsequent prospectuses, annual reports, and other information will be delivered in hard copy to the Participant).

(p) Electronic Participation in Plan. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as set forth below.

Hexion Holdings Corporation

By:

Name: Craig A. Rogerson
Title: Chairman, President & CEO

PARTICIPANT

{FIRST NAME} {LAST NAME}

[Signature Page to Performance Stock Unit Award Agreement]

HEXION HOLDINGS CORPORATION
2019 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK UNIT
AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), effective as of March 9, 2020 (the "Grant Date"), is made by and between Hexion Holdings Corporation, a Delaware corporation (the "Company"), and {FIRST NAME} {LAST NAME} (the "Participant"). Capitalized terms used in this Agreement and not otherwise defined herein have the meanings ascribed to such terms in the Hexion Holdings Corporation 2019 Omnibus Incentive Plan, as amended, restated, or otherwise modified from time to time in accordance with its terms (the "Plan").

WHEREAS, the Company has adopted the Plan, pursuant to which restricted stock units ("RSUs") may be granted; and

WHEREAS, the Committee has determined that it is in the best interests of the Company and its stockholders to grant the RSUs provided for herein to the Participant on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, for and in consideration of the promises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. **Grant of Restricted Stock Units.**

(a) Grant. The Company hereby grants to the Participant a total of {# OF RSUs} RSUs, on the terms and subject to the conditions set forth in this Agreement and as otherwise provided in the Plan. The RSUs shall vest in accordance with Section 2. The RSUs shall be credited to a separate book-entry account maintained for the Participant on the books of the Company.

(b) Incorporation by Reference. The provisions of the Plan are incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules, and regulations promulgated by the Committee from time to time pursuant to the Plan. The Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon the Participant and the Participant's beneficiary in respect of any questions arising under the Plan or this Agreement. The Participant acknowledges that the Participant has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

2. **Vesting; Settlement.**

(a) Except as may otherwise be provided herein, the RSUs shall vest in equal installments on each of the first three anniversaries of the Grant Date (each such date, a "Vesting Date"), subject to the Participant's continued employment with, appointment as a director of, or engagement to provide services to, the Company or any of its Affiliates through the applicable Vesting Date. Any fractional RSU resulting from the application of the vesting schedule shall be aggregated and the RSU resulting from such aggregation shall vest on the final Vesting Date.

(b) Except as provided in Section 2(c), the vested RSUs shall be settled as soon as administratively feasible, but in no event later than 30 days, following July 1, 2023, in shares of Common Stock.

(c) Notwithstanding the foregoing, upon a Change in Control, the Participant shall vest in full in any unvested portion of the RSUs on the date of such Change in Control. Any RSUs that vest in accordance with this Section 2(c) and any previously vested RSU shall be settled as soon as administratively feasible, but in no event later than 14 days, following such Change in Control in an amount of cash equal to the Fair Market Value of such RSUs on the date of the Change in Control; provided, that if the Change in Control is not also a change in control event within the meaning of Section 409A of the Code, such amount shall be paid at the time set forth in Section 2(b).

3. **Dividend Equivalents.** In the event of any issuance of a cash dividend on the shares of Common Stock (a "Dividend"), the Participant shall be credited, as of the payment date for such Dividend, with an additional number of RSUs (each, an "Additional RSU") equal to the quotient obtained by dividing (x) the product of (i) the number of RSUs granted pursuant to this Agreement and outstanding as of the record date for such Dividend multiplied by (ii) the amount of the Dividend per share, by (y) the Fair Market Value per share on the payment date for such Dividend, such quotient to be rounded to the nearest hundredth. Once credited, each Additional RSU shall be treated as an RSU granted hereunder and shall be subject to all terms and conditions set forth in this Agreement and the Plan.

4. **Termination of Employment or Services.**

(a) Generally. Except as otherwise provided herein, if the Participant's employment with, membership on the board of directors of, or engagement to provide services to the Company or any of its Affiliates terminates for any reason, all unvested RSUs shall be canceled immediately and the Participant shall not be entitled to receive any payments with respect thereto.

(b) Termination for Cause. If the Participant's employment with, membership on the board of directors of, or engagement to provide services to the Company or any of its Affiliates is terminated by the Company for Cause, all RSUs, whether vested or unvested, shall be canceled immediately and the Participant shall not be entitled to receive any payments with respect thereto.

(c) Termination without Cause or for Good Reason. If the Participant's employment with, membership on the board of directors of, or engagement to provide services to the Company or any of its Affiliates is terminated by the Company without Cause or by the Participant for Good Reason (as defined in the Participant's employment, consulting, change-in-control, severance or other agreement with Company or an Affiliate in effect at the time of the Participant's termination), the tranche of the RSUs that would vest on the immediately succeeding Vesting Date following the date of such termination had the Participant continued to be employed by or provided services to the Company or its Affiliates through such Vesting Date shall immediately vest. Each RSU that vests in accordance with this Section 4(c) and any previously vested RSU shall be settled in accordance with the terms of Section 2(b) hereof.

(d) Death or Disability. If the Participant's employment with, membership on the board of directors of, or engagement to provide services to the Company or any of its Affiliates is terminated due to the Participant's death or Disability, the Participant shall vest in full in any unvested portion of the RSUs on the date of such termination. Each RSU that vests in accordance with this Section 4(d) and any previously vested RSU shall be settled as soon as administratively feasible, but in no event later than 30 days, following the date of such termination.

(e) Retirement. Upon the Participant's Retirement (as defined below), then, notwithstanding anything to the contrary in the Plan or in this Agreement, any unvested RSUs shall continue to vest and be settled in accordance with Section 2 hereof. For purposes of this Section 4(e), "Retirement" shall mean the Participant's voluntary termination of his or her employment on or following the date on which the Participant has attained age 60 and at least five years of service with the Company at a time when the Company or any of its Affiliates does not have Cause to terminate the Participant's employment; provided, that in order for the RSUs to be eligible for the continued vesting described in this Section 4(e) upon a Retirement, the Participant must provide no less than four months' advance written notice to the Company of such intended Retirement.

5. **Rights as a Stockholder.** The Participant shall not be deemed for any purpose to be the owner of any shares of Common Stock underlying the RSUs unless, until and to the extent that (a) the Company shall have issued and delivered to the Participant the shares of Common Stock underlying the RSUs and (b) the Participant's name shall have been entered as a stockholder of record with respect to such shares of Common Stock on the books of the Company. The Company shall cause the actions described in clauses (a) and (b) of the preceding sentence to occur promptly following settlement as contemplated by this Agreement, subject to compliance with applicable laws.

6. **Compliance with Legal Requirements.**

(a) Generally. The granting and settlement of the RSUs, and any other obligations of the Company under this Agreement, shall be subject to all applicable U.S. federal, state, and local laws, rules and regulations, all applicable non-U.S. laws, rules, and regulations and to such approvals by any regulatory or governmental agency as may be required. The Participant agrees to take all steps that the Committee or the Company determines are reasonably necessary to comply with all applicable provisions of U.S. federal and state securities law and non-U.S. securities law in exercising the Participant's rights under this Agreement.

(b) Tax Withholding. Vesting and settlement of the RSUs shall be subject to the Participant's satisfying any applicable U.S. federal, state, and local tax withholding obligations and non-U.S. tax withholding obligations. At the time each RSU vests or is settled, as applicable, the Company shall have the right and is hereby authorized to withhold from any amounts payable to the Participant in connection with the RSUs or otherwise the amount of any required withholding taxes in respect of the RSUs, their settlement or any payment or transfer of the RSUs or under the Plan and to take any such other action as the Committee or the Company deem necessary to satisfy all obligations for the payment of such withholding taxes (up to the maximum permissible withholding amounts), including the right to sell the number of shares of Common Stock that would otherwise be available for delivery upon settlement of the RSUs necessary to generate sufficient proceeds to satisfy withholding obligations. Subject to the prior approval of the Committee, the Participant may elect to satisfy, and the Company may require the Participant to satisfy, in whole or in part, the tax obligations by withholding shares of Common Stock that would otherwise be deliverable to the Participant upon settlement of the RSUs with a Fair Market Value equal to such withholding liability.

7. **Clawback/Forfeiture.** For the sake of clarity, the clawback provisions of Section 13(v) (Clawback/Forfeiture) of the Plan are incorporated by reference into this Agreement. In addition, if the Participant's employment with, membership on the board of directors of, or engagement to provide services to the Company or any of its Affiliates is terminated by the Company for Cause, the Committee may, in its sole discretion, require that the Participant promptly repay any amounts or Common Stock that was settled in respect of RSUs within three years prior to the date of such termination.

8. **Non-Competition; Non-Solicitation.**

(a) The Participant shall not, at any time during the Participant's employment or service with the Company or during the 12 month period following the termination thereof for any reason, directly or indirectly engage in, have any equity interest in, or manage or operate any Person, firm, corporation, partnership, business, or entity (whether as director, officer, employee, agent, representative, partner, security holder, consultant, or otherwise) that engages (either directly or through any subsidiary or Affiliate thereof) in any business or activity that competes with any of the businesses of the Company or any of its Affiliates; provided, that upon a sale, transfer, or other disposition of all or substantially all of the Common Stock, business, or assets of the Company to an entity that is not an Affiliate of the Company, the restrictions described in this Section 8(a) shall no longer apply. Notwithstanding the foregoing, the Participant shall be permitted to acquire a passive stock or equity interest in such a business whose stock or equity interests are publicly traded on a national securities exchange, provided that the stock or other equity interest acquired is not more than five percent of the outstanding interest in such business.

(b) The Participant shall not, at any time during the Participant's employment or service with the Company or during the 12 month period following the termination thereof for any reason, directly or indirectly (i) solicit, induce, or attempt to solicit or induce any officer, director, employee, or independent contractor of the Company or any of its direct or indirect subsidiaries or Affiliates, to terminate his or her relationship with, or to leave the employ or service of, the Company or any such subsidiary or Affiliate, or to interfere in any way with the relationship between the Company or any such subsidiary or Affiliate, on the one hand, and any officer, director, employee, or independent contractor thereof, on the other hand, (ii) hire (or otherwise engage in a service relationship) any Person (in any capacity whether as an officer, director, employee, or consultant) who is or at any time was an officer, director, employee, or consultant of the Parent or any of its direct or indirect subsidiaries until six months after such individual's relationship (whether as an officer, director, employee, or consultant) with the Company or such subsidiary or Affiliate has ended, or (iii) induce or attempt to induce any customer, supplier, prospect, licensee, or other business relation of the Company or any of its direct or indirect subsidiaries or Affiliates to cease doing business with the Company or such subsidiary of Affiliate, or in any way interfere with the relationship between any such customer, supplier, prospect, licensee, or business relation, on the one hand, and the Company or such subsidiary or Affiliate, on the other hand.

(c) In the event that the terms of this Section 8 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it will be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

9. **Nondisclosure of Confidential Information; Non-disparagement; Intellectual Property.**

(a) Nondisclosure of Confidential Information; Return of Property.

(i) Except as required in the faithful performance of the Participant's employment duties to the Company, during or after the Participant's employment or service with the Company, in perpetuity, the Participant shall maintain in confidence and shall not directly or indirectly use, disseminate, disclose, or publish, or use for the Participant's benefit or the benefit of any Person, any confidential or proprietary information or trade secrets of or relating to the Company or any of its Affiliates, including, without limitation, information with respect to the Company's or any of its Affiliates' operations, processes, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, regulatory status, compensation paid to employees, or other terms of employment, and the Participant shall not deliver to any Person any document, record, notebook, computer program, or similar repository of or containing any such confidential or proprietary information or trade secrets (collectively, "Confidential Information"). Upon the Participant's termination of employment or service for any reason, the Participant shall promptly deliver to the Company all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, and other documents concerning or containing Confidential Information then in the Participant's possession. The Participant may nonetheless retain copies of documents relating to the Participant's compensation, the Participant's personal entitlements and obligations, the Participant's rolodex (and electronic equivalents), and the Participant's cell phone number. The Participant may respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought and, if requested by the Company, shall reasonably assist such counsel in resisting or otherwise responding to such process.

(ii) Notwithstanding the foregoing, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the Company's trade secrets to the Participant's attorney and use the trade secret information in the court proceeding if the Participant (1) files any document containing the trade secret under seal; and (2) does not disclose the trade secret, except pursuant to court order.

(b) Non-Disparagement. The Participant shall not, at any time during or after the Participant's employment or service with the Company, in perpetuity, directly or indirectly, disparage, criticize, or otherwise make derogatory statements regarding the Company or any of its Affiliates, or their respective successors, directors, or officers. The foregoing shall not be violated by the Participant's truthful responses to legal process or inquiry by a governmental authority.

(c) Intellectual Property Rights.

(i) The Participant agrees that the results and proceeds of the Participant's services for the Company or its subsidiaries or Affiliates (including, but not limited to, any trade secrets, products, services, processes, know-how, designs, developments, innovations, analyses, drawings, reports, techniques, formulas, methods, developmental, or experimental work, improvements, discoveries, inventions, ideas, source and object codes, programs, matters of a literary, musical, dramatic or otherwise creative nature, writings, and other works of authorship) and any works in progress, whether or not patentable or registrable under copyright or similar statutes, that were made, developed, conceived, or reduced to practice or learned by the Participant, either alone or jointly with others (collectively, "Inventions"), shall be works-made-for-hire and the Company (or, if applicable or as directed by the Company, any of its subsidiaries or Affiliates) shall be deemed the sole owner throughout the universe of any and all trade secret, patent, copyright, and other intellectual property rights (collectively, "Proprietary Rights") of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, with the right to use the same in perpetuity in any manner the Company determines in its sole discretion, without any further payment to the Participant whatsoever. If, for any reason, any of such results and proceeds shall not legally be a work-made-for-hire and/or there are any Proprietary Rights that do not accrue to the Company (or, as the case may be, any of its subsidiaries or Affiliates) under the immediately preceding sentence, then the Participant hereby irrevocably assigns and agrees to assign any and all of the Participant's right, title, and interest thereto, including, without limitation, any and all Proprietary Rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized, or developed, to the Company (or, if applicable or as directed by the Company, any of its subsidiaries or Affiliates), and the Company or such subsidiaries or Affiliates shall have the right to use the same in perpetuity throughout the universe in any manner determined by the Company or such subsidiaries or Affiliates without any further payment to the Participant whatsoever. As to any Invention that the Participant is required to assign, the Participant shall promptly and fully disclose to the Company all information known to the Participant concerning such Invention. The Participant hereby waives and quitclaims to the Company any and all claims, of any nature whatsoever, that the Participant now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

(ii) The Participant agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, the Participant shall do any and all things that the Company may reasonably deem useful or desirable to establish or document the Company's exclusive ownership throughout the United States of America or any other country of any and all Proprietary Rights in any such Inventions, including, without limitation, the execution of appropriate copyright and/or patent applications or assignments. To the extent that the Participant has any Proprietary Rights in the Inventions that cannot be assigned in the manner described above, the Participant unconditionally and irrevocably waives the enforcement of such Proprietary Rights. This Section 9(c)(ii) is subject to and shall not be deemed to limit, restrict, or constitute any waiver by the Company of any Proprietary Rights of ownership to which the Company may be entitled by operation of law by virtue of the Participant's service with the Company. The Participant further agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, the Participant shall assist the Company in every proper and lawful way to obtain, and shall from time to time enforce, Proprietary Rights relating to Inventions in any and all countries. To this end, the Participant shall execute, verify, and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such Proprietary Rights and the assignment thereof. In addition, the Participant shall execute, verify, and deliver assignments of such Proprietary Rights to the Company or its designees. The Participant's obligation to assist the Company with respect to Proprietary Rights relating to such Inventions in any and all countries shall continue beyond the termination of the Participant's employment or service with the Company.

(d) Notwithstanding anything herein to the contrary, or in any agreement or communication between the Company and the Participant, (A) the confidentiality and nondisclosure obligations herein shall not prohibit or restrict the Participant from initiating communications directly with, or responding to any inquiry from, or providing testimony before, the U.S. Securities and Exchange Commission, any other governmental agency, any self-regulatory organization or any other state or federal regulatory authority, regarding any possible securities law violations, and (B) the Company shall not enforce or threaten to enforce, any confidentiality agreement or other similar agreement, nor take or threaten to take any other action against the Participant for engaging in the types of communications described in (A) above.

(e) As used in this Section 9, the term "Company" shall include the Company and any direct or indirect subsidiaries or Affiliates thereof or any successors thereto.

10. **Injunctive Relief.** The Participant recognizes and acknowledges that a breach of any of the covenants contained in Sections 8 and 9 will cause irreparable damage to the Company and its goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, the Participant agrees that in the event of a breach of any of the covenants contained in Sections 8 and 9, in addition to any other remedy that may be available at law or in equity, the Company will be entitled to specific performance and injunctive relief, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security.

11. **Miscellaneous.**

(a) Transferability. The RSUs may not be assigned, alienated, pledged, attached, sold, or otherwise transferred or encumbered (a "Transfer") by the Participant other than by will or by the laws of descent and distribution, pursuant to a qualified domestic relations order or as otherwise permitted under Section 13(b) of the Plan. Any attempted Transfer of the RSUs contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the RSUs, shall be null and void and without effect.

(b) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Section 409A. The RSUs are intended to be exempt from, or compliant with, Section 409A of the Code. Notwithstanding the foregoing or any provision of the Plan or this Agreement, if any provision of the Plan or this Agreement contravenes Section 409A of the Code or could cause the Participant to incur any tax, interest, or penalties under Section 409A of the Code, the Committee may, in its sole discretion and without the Participant's consent, modify such provision to (i) comply with, or avoid being subject to, Section 409A of the Code, or to avoid the incurrence of taxes, interest and penalties under Section 409A of the Code, and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the Participant of the applicable provision without materially increasing the cost to the Company or contravening the provisions of Section 409A of the Code. This Section 11(c) does not create an obligation on the part of the Company to modify the Plan or this Agreement and does not guarantee that the RSUs will not be subject to interest and penalties under Section 409A.

(d) General Assets. All amounts credited in respect of the RSUs to the book-entry account under this Agreement shall continue for all purposes to be part of the general assets of the Company. The Participant's interest in such account shall make the Participant only a general, unsecured creditor of the Company.

(e) Notices. Any notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax, pdf/email or overnight courier, or by postage-paid first-class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to the Participant, at the Participant's address indicated by the Company's records, or if to the Company, to the attention of the General Counsel at the Company's principal executive office.

(f) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(g) No Rights to Employment, Directorship or Service. Nothing contained in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant, or director of the Company or any of its Affiliates or shall interfere with or restrict in any way the rights of the Company or any of its Affiliates, which are hereby expressly reserved, to remove, terminate, or discharge the Participant at any time for any reason whatsoever.

(h) Fractional Shares. In lieu of issuing a fraction of a share of Common Stock resulting from adjustment of the RSUs pursuant to Section 11 of the Plan or otherwise, the Company shall be entitled to pay to the Participant an amount in cash equal to the Fair Market Value of such fractional share.

(i) Beneficiary. Where permitted by the Company, the Participant may file with the Company a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation.

(j) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs, and successors of the Participant.

(k) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations, and negotiations in respect thereto. No change, modification, or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto, except for any changes permitted without consent under Section 11 or 12 of the Plan.

(l) Governing Law and Venue. This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to principles of conflicts of laws thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(i) Dispute Resolution; Consent to Jurisdiction. All disputes between or among any Persons arising out of or in any way connected with the Plan, this Agreement or the RSUs shall be solely and finally settled by the Committee, acting in good faith, the determination of which shall be final. Any matters not covered by the preceding sentence shall be solely and finally settled in accordance with the Plan, and the Participant and the Company consent to the personal jurisdiction of the United States federal and state courts sitting in Wilmington, Delaware, as the exclusive jurisdiction with respect to matters arising out of or related to the enforcement of the Committee's determinations and resolution of matters, if any, related to the Plan or this Agreement not required to be resolved by the Committee. Each such Person hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the last known address of such Person, such service to become effective 10 days after such mailing.

(ii) Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement or the transactions contemplated (whether based on contract, tort or any other theory). Each party hereto (A) certifies that no representative, agent, or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (B) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this section.

(m) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(n) Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (pdf)), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

(o) Electronic Signature and Delivery. This Agreement may be accepted by return signature or by electronic confirmation. By accepting this Agreement, the Participant consents to the electronic delivery of prospectuses, annual reports and other information required to be delivered by U.S. Securities and Exchange Commission rules (which consent may be revoked in writing by the Participant at any time upon three business days' notice to the Company, in which case subsequent prospectuses, annual reports, and other information will be delivered in hard copy to the Participant).

(p) Electronic Participation in Plan. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as set forth below.

Hexion Holdings Corporation

By:

Name: Craig A. Rogerson
Title: Chairman, President & CEO

PARTICIPANT

{FIRST NAME} {LAST NAME}

[Signature Page to Restricted Stock Unit Award Agreement]

Exhibit 31.1

Certification of Financial Statements and Internal Controls

I, George F. Knight, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hexion Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2020

/s/ George F. Knight

George F. Knight

Acting Chief Executive Officer and Chief Financial Officer

Exhibit 32.1

Certification Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 Of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Hexion Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ George F. Knight
George F. Knight
Acting Chief Executive Officer and Chief Financial Officer

May 14, 2020

A signed original of this statement required by Section 906 has been provided to Hexion Inc. and will be retained by Hexion Inc. and furnished to the Securities and Exchange Commission or its staff upon request.