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 June 30, 2017

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)

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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, or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

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

Number of shares of common stock, par value $0.01 per share, outstanding as of the close of business on August 1, 2017: 82,556,847

HEXION INC.

INDEX

		Page
PART I – FINANCIAL INFORMATION		
Item 1.	**Hexion Inc. Condensed Consolidated Financial Statements (Unaudited)**	
	Condensed Consolidated Balance Sheets at June 30, 2017 and December 31, 2016	3
	Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2017 and 2016	4
	Condensed Consolidated Statements of Comprehensive (Loss) Income for the three and six months ended June 30, 2017 and 2016	5
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016	6
	Condensed Consolidated Statement of Deficit for the six months ended June 30, 2017	7
	Notes to Condensed Consolidated Financial Statements	8
Item 2.	**Management's Discussion and Analysis of Financial Condition and Results of Operations**	26
Item 3.	**Quantitative and Qualitative Disclosures about Market Risk**	38
Item 4.	**Controls and Procedures**	38
PART II – OTHER INFORMATION		
Item 1.	**Legal Proceedings**	38
Item 1A.	**Risk Factors**	38
Item 2.	**Unregistered Sales of Equity Securities and Use of Proceeds**	38
Item 3.	**Defaults upon Senior Securities**	38
Item 4.	**Mine Safety Disclosures**	38
Item 5.	**Other Information**	38
Item 6.	**Exhibits**	39

HEXION INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In millions, except share data)	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents (including restricted cash of $18 and $17, respectively)	$ 128	$ 196
Accounts receivable (net of allowance for doubtful accounts of $18 and $17, respectively)	497	390
Inventories:		
Finished and in-process goods	244	199
Raw materials and supplies	102	88
Other current assets	45	45
Total current assets	1,016	918
Investment in unconsolidated entities	19	18
Deferred income taxes	12	10
Other long-term assets	47	43
Property and equipment:		
Land	83	79
Buildings	280	273
Machinery and equipment	2,277	2,353
	2,640	2,705
Less accumulated depreciation	(1,725)	(1,812)
	915	893
Goodwill	125	121
Other intangible assets, net	47	52
Total assets	$ 2,181	$ 2,055
Liabilities and Deficit		
Current liabilities:		
Accounts payable	$ 386	$ 368
Debt payable within one year	114	107
Interest payable	81	70
Income taxes payable	7	13
Accrued payroll and incentive compensation	31	55
Other current liabilities	133	159
Total current liabilities	752	772
Long-term liabilities:		
Long-term debt	3,585	3,397
Long-term pension and post employment benefit obligations	258	246
Deferred income taxes	13	13
Other long-term liabilities	173	166
Total liabilities	4,781	4,594
Commitments and contingencies (see Note 7)		
Deficit		
Common stock—$0.01 par value; 300,000,000 shares authorized, 170,605,906 issued and 82,556,847 outstanding at June 30, 2017 and December 31, 2016	1	1
Paid-in capital	526	526
Treasury stock, at cost—88,049,059 shares	(296)	(296)
Accumulated other comprehensive loss	(24)	(39)
Accumulated deficit	(2,806)	(2,730)
Total Hexion Inc. shareholder’s deficit	(2,599)	(2,538)
Noncontrolling interest	(1)	(1)
Total deficit	(2,600)	(2,539)
Total liabilities and deficit	$ 2,181	$ 2,055

See Notes to Condensed Consolidated Financial Statements

HEXION INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In millions)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net sales	$ 912	$ 952	$ 1,782	$ 1,861
Cost of sales	778	854	1,515	1,656
Gross profit	134	98	267	205
Selling, general and administrative expense	75	82	152	166
Gain on dispositions	—	(240)	—	(240)
Business realignment costs	10	42	17	45
Other operating expense (income), net	9	(4)	3	(1)
Operating income	40	218	95	235
Interest expense, net	82	80	165	159
(Gain) loss on extinguishment of debt	—	(21)	3	(44)
Other non-operating income, net	(5)	(3)	(1)	(1)
(Loss) income before income tax and earnings from unconsolidated entities	(37)	162	(72)	121
Income tax (benefit) expense	(1)	17	7	24
(Loss) income before earnings from unconsolidated entities	(36)	145	(79)	97
Earnings from unconsolidated entities, net of taxes	2	5	3	9
Net (loss) income	$ (34)	$ 150	$ (76)	$ 106

See Notes to Condensed Consolidated Financial Statements

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

(In millions)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net (loss) income	$ (34)	$ 150	$ (76)	$ 106
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	9	(25)	15	1
Loss recognized from pension and postretirement benefits	—	(1)	—	(1)
Other comprehensive income (loss)	9	(26)	15	—
Comprehensive (loss) income	$ (25)	$ 124	$ (61)	$ 106

See Notes to Condensed Consolidated Financial Statements

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

(In millions)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash flows used in operating activities		
Net (loss) income	$ (76)	$ 106
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	56	71
Accelerated depreciation	—	106
Deferred tax (benefit) expense	(2)	3
Gain on dispositions	—	(240)
Gain on sale of assets	(2)	—
Amortization of deferred financing fees	8	—
Loss (gain) on extinguishment of debt	3	(44)
Unrealized foreign currency losses (gains)	4	(45)
Other non-cash adjustments	(2)	(4)
Net change in assets and liabilities:		
Accounts receivable	(96)	(119)
Inventories	(50)	(21)
Accounts payable	13	2
Income taxes payable	1	8
Other assets, current and non-current	2	(25)
Other liabilities, current and long-term	(54)	52
Net cash used in operating activities	(195)	(150)
Cash flows (used in) provided by investing activities		
Capital expenditures	(57)	(61)
Capitalized interest	—	(1)
Proceeds from dispositions, net	—	281
Proceeds from sale of assets, net	4	1
Change in restricted cash	1	(10)
Net cash (used in) provided by investing activities	(52)	210
Cash flows provided by (used in) financing activities		
Net short-term debt borrowings (repayments)	8	(12)
Borrowings of long-term debt	1,119	335
Repayments of long-term debt	(928)	(439)
Long-term debt and credit facility financing fees paid	(24)	—
Net cash provided by (used in) financing activities	175	(116)
Effect of exchange rates on cash and cash equivalents	3	—
Change in cash and cash equivalents	(69)	(56)
Cash and cash equivalents (unrestricted) at beginning of period	179	228
Cash and cash equivalents (unrestricted) at end of period	$ 110	$ 172
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest, net	$ 147	$ 159
Income taxes, net	9	16
Non-cash investing activity:		
Acceptance of buyer’s note	$ —	$ 75

See Notes to Condensed Consolidated Financial Statements

HEXION INC.
CONDENSED CONSOLIDATED STATEMENT OF DEFICIT (Unaudited)

(In millions)	Common Stock	Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Hexion Inc. Deficit	Noncontrolling Interest	Total
Balance at December 31, 2016	$ 1	$ 526	$ (296)	$ (39)	$ (2,730)	$ (2,538)	$ (1)	$ (2,539)
Net loss	—	—	—	—	(76)	(76)	—	(76)
Other comprehensive income	—	—	—	15	—	15	—	15
Balance at June 30, 2017	$ 1	$ 526	$ (296)	$ (24)	$ (2,806)	$ (2,599)	$ (1)	$ (2,600)

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 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. At June 30, 2017, the Company had two reportable segments: Epoxy, Phenolic and Coating Resins and Forest Products Resins.

The Company's direct parent is Hexion LLC, a holding company and wholly owned subsidiary of Hexion Holdings LLC ("Hexion Holdings"), the ultimate parent entity of Hexion. Hexion Holdings is controlled by investment funds managed by affiliates of Apollo Management Holdings, L.P. (together with Apollo Global Management, LLC and its subsidiaries, "Apollo"). Apollo may also be referred to as the Company's owner.

The unaudited Condensed Consolidated Financial Statements include the accounts of the Company, its majority-owned subsidiaries in which minority shareholders hold no substantive participating rights and variable interest entities in which the Company is the primary beneficiary. 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, 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.

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.

Subsequent Events—The Company has evaluated events and transactions subsequent to June 30, 2017 through the date of issuance of its unaudited Condensed Consolidated Financial Statements.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Board Update No. 2014-09: *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 supersedes the existing revenue recognition guidance and most industry-specific guidance applicable to revenue recognition. According to the new guidance, an entity will apply a 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. The effective date for ASU 2014-09 is for annual and interim periods beginning on or after December 15, 2017, and early adoption will be permitted for annual and interim periods beginning on or after December 15, 2016. Entities will have the option of using either a full retrospective approach or a modified approach to adopt the guidance in ASU 2014-09. The Company continues to assess the potential impact of this standard on its financial statements and plans to adopt ASU 2014-09 utilizing a modified retrospective approach, which will result in a cumulative adjustment to equity on the adoption date of January 1, 2018.

In February 2016, the FASB issued Accounting Standards Board Update No. 2016-02: *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 supersedes the existing lease guidance in Topic 840. According to the new guidance, all leases, with limited scope exceptions, will be recorded on the balance sheet in the form of a liability to make lease payments (lease liability) and a right-of-use asset representing the right to use the underlying asset for the lease term. The guidance is effective for annual and interim periods beginning on or after December 15, 2018, and early adoption is permitted. Entities will be required to adopt ASU 2016-02 using a modified retrospective approach, whereby leases will be recognized and measured at the beginning of the earliest period presented. The Company is currently assessing the potential impact of ASU 2016-02 on its financial statements.

In August 2016, the FASB issued Accounting Standards Board Update No. 2016-15: *Statement of Cash Flows (Topic 230)* ("ASU 2016-15") as part of the FASB simplification initiative. ASU 2016-15 provides guidance on treatment in the statement of cash flows for eight specific cash flow topics, with the objective of reducing existing diversity in practice. Of the eight cash flow topics addressed in the new guidance, the topics expected to have an impact on the Company include debt prepayment or debt extinguishment costs, proceeds from the settlement of insurance claims, treatment of restricted cash and distributions received from equity method investees. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period, and early adoption is permitted. The Company is currently assessing the potential impact of ASU 2016-15 on its financial statements.

In November 2016, the FASB issued Accounting Standards Board Update No. 2016-18: *Statement of Cash Flows (Topic 230) Restricted Cash* ("ASU 2016-18") as part of the FASB simplification initiative. ASU 2016-18 requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of period total amounts shown on the statement of cash flows. ASU 2016-18 also requires supplemental disclosure regarding the nature of restrictions on a company's cash and cash equivalents, such as the purpose and terms of the restriction, expected duration of the restriction and the amount of cash subject to restriction. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period, and early adoption is permitted. The Company is currently assessing the potential impact of ASU 2016-18 on its financial statements.

In January 2017, the FASB issued Accounting Standards Board Update No. 2017-01: *Clarifying the Definition of a Business (Topic 805)* ("ASU 2017-01"). ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period, and early adoption is permitted. The Company is currently assessing the potential impact of ASU 2017-01 on its financial statements.

In January 2017, the FASB issued Accounting Standards Board Update No. 2017-04: *Simplifying the Test for Goodwill Impairment (Topic 350)* ("ASU 2017-04") as part of the FASB simplification initiative. To simplify the subsequent measurement of goodwill, ASU 2017-04 eliminated Step 2 from the goodwill impairment test. Instead, under the amendments in ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount, which is Step 1 of the goodwill impairment test. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. The guidance is effective for goodwill impairment tests performed after December 15, 2019 and early adoption is permitted. The Company is currently assessing the potential impact of ASU 2017-04 on its financial statements.

In March 2017, the FASB issued Accounting Standards Board Update No. 2017-07: *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* ("ASU 2017-07"). ASU 2017-07 requires that an employer report the service cost component of its net periodic pension and postretirement benefit costs ("net benefit cost") in the same line item or items as other compensation costs arising from services rendered by employees during the period. Additionally, ASU 2017-07 only allows the service cost component of net benefit cost to be eligible for capitalization into inventory. All other components of net benefit cost, which primarily include interest cost, expected return on assets and the annual mark-to-market liability remeasurement, are required to be presented in the income statement separately from the service cost component and outside of income from operations. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period, and early adoption is only permitted in the first quarter of 2017. The Company is currently assessing the potential impact of ASU 2017-07 on its financial statements.

Recently Adopted Accounting Standards

In July 2015, the FASB issued Accounting Standards Board Update No. 2015-11: *Simplifying the Measurement of Inventory (Topic 330)* ("ASU 2015-11") as part of the FASB simplification initiative. ASU 2015-11 replaces the existing concept of market value of inventory (where market was defined as replacement cost, with a ceiling of net realizable value and floor of net realizable value less a normal profit margin) with the single measurement of net realizable value. The guidance is effective for annual periods beginning after December 15, 2016, including interim periods within that reporting period. The Company adopted ASU 2015-11 as of January 1, 2017 and adoption of this standard had no impact on the Company's financial statements.

In March 2016, the FASB issued Accounting Standards Board Update No. 2016-07: *Simplifying the Transition to the Equity Method of Accounting (Topic 323)* ("ASU 2016-07") as part of the FASB simplification initiative. ASU 2016-07 eliminates the requirement that when an existing investment qualifies for use of the equity method, an investor adjust the investment, results of operations and retained earnings retroactively as if the equity method has been in effect in all previous periods that the investment had been held. Under the new guidance, the equity method investor is only required to adopt the equity method as of the date the investment qualifies for the equity method, with no retrospective adjustment required. The guidance is effective for annual periods beginning after December 15, 2016, including interim periods within that reporting period. The Company adopted ASU 2016-07 as of January 1, 2017 and adoption of this standard had no impact on the Company's financial statements.

In March 2016, the FASB issued Accounting Standards Board Update No. 2016-09: *Improvements to Employee Share-Based Payment Accounting (Topic 718)* ("ASU 2016-09") as part of the FASB simplification initiative. ASU 2016-09 simplifies various aspects of share-based payment accounting, including the income tax consequences, classification of equity awards as either equity or liabilities and classification on the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2016, including interim periods within that reporting period. The Company adopted ASU 2016-09 as of January 1, 2017 and adoption of this standard had no impact on the Company's financial statements.

3. Business Realignment

In the first quarter of 2016, the Company announced a planned rationalization at its Norco, LA manufacturing facility within its Epoxy, Phenolic and Coating Resins segment, and production was ceased at this facility during the second quarter of 2016. As a result of this facility rationalization, the Company recorded one-time costs in 2016 related to the early termination of certain contracts for utilities, site services, raw materials and other items. The Company also recorded a conditional asset retirement obligation ("ARO") in 2016 related to certain contractually obligated future demolition, decontamination and repair costs associated with this facility rationalization. The Company does not expect to incur any additional contract termination or ARO charges related to this facility rationalization.

The table below summarizes the changes in the liabilities recorded related to contract termination costs and ARO from December 31, 2016 to June 30, 2017, all of which are included in "Other current liabilities" in the unaudited Condensed Consolidated Balance Sheets.

	Contract Termination Costs	Asset Retirement Obligation	Total
Accrued liability at December 31, 2016	$ 18	$ 13	$ 31
Activity [(1)]	(12)	(10)	(22)
Accrued liability at June 30, 2017	$ 6	$ 3	$ 9

(1) These amounts include $21 of cash payments during the six months ended June 30, 2017 and $1 of these amounts are included in "Accounts payable" in the unaudited Condensed Consolidated Balance Sheets as of June 30, 2017.

As a result of the announcement of the Norco facility rationalization, the estimated useful lives of certain long-lived assets related to this facility were shortened, and consequently, during the three months and six months ended June 30, 2016, the Company incurred $30 and $76, respectively, of accelerated depreciation related to these assets, which is included in "Cost of sales" in the unaudited Condensed Consolidated Statements of Operations. These assets were fully depreciated in the second quarter of 2016. In addition, at June 30, 2016 the Company recorded a conditional ARO of $30 related to certain contractually obligated future demolition, decontamination and repair costs associated with this facility rationalization. During the three months ended June 30, 2016, the Company recorded an additional $30 of accelerated depreciation related to this ARO, which is also included in "Cost of sales" in the unaudited Condensed Consolidated Statements of Operations, rendering this item fully depreciated as of June 30, 2016.

Lastly, during the three months and six months ended June 30, 2017, the Company incurred additional costs of $1 and $3, respectively, related to other ongoing site closure expenses related to this facility rationalization, which are included in "Business realignment costs" in the unaudited Condensed Consolidated Statements of Operations. During the three months ended June 30, 2016, the Company incurred costs of $25 related to the early termination of certain contracts for utilities, site services, raw materials and other items related to this facility rationalization and $10 related to abnormal production overhead, severance and other expenses to the facility closure. All of these costs are included in "Business realignment costs" in the unaudited Condensed Consolidated Statements of Operations.

4. Related Party Transactions

Administrative Service, Management and Consulting Arrangement

The Company is subject to a Management Consulting Agreement with Apollo (the "Management Consulting Agreement") that renews on an annual basis, unless notice to the contrary is given by either party. Under the Management Consulting Agreement, the Company receives certain structuring and advisory services from Apollo and its affiliates. The Management Consulting Agreement provides indemnification to Apollo, its affiliates and their directors, officers and representatives for potential losses arising from these services. Apollo is 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 2017.

During the three months ended June 30, 2017 and 2016 and during the six months ended June 30, 2017 and 2016, the Company recognized expense under the Management Consulting Agreement of $1 and $2, respectively. This amount is included in "Other operating expense (income), net" in the unaudited Condensed Consolidated Statements of Operations.

Transactions with MPM

Shared Services Agreement

On October 1, 2010, the Company entered into a shared services agreement with Momentive Performance Materials Inc. (‘MPM”) (which, from October 1, 2010 through October 24, 2014, was a subsidiary of Hexion Holdings), as amended in October 2014 (the “Shared Services Agreement”). Under this agreement, the Company provides to MPM, and MPM provides 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 establishes certain criteria upon which the costs of such services are allocated between the Company and MPM. The Shared Services Agreement was renewed for one year starting October 2016 and is subject to termination by either the Company or MPM, without cause, on not less than 30 days' written notice, and expires in October 2017 (subject to one-year renewals every year thereafter; absent contrary notice from either party). The Company periodically reviews the scope of services provided under this agreement and has recently begun efforts to reduce the scope of services provided by the Company, in particular with respect to human resources, information technology and accounting and finance.

Pursuant to the Shared Services Agreement, during the six months ended June 30, 2017 and 2016, the Company incurred approximately $31 and $39, respectively, of net costs for shared services and MPM incurred approximately $23 and $29, respectively, of net costs for shared services. Included in the net costs incurred during the six months ended June 30, 2017 and 2016, were net billings from the Company to MPM of $15 and $16, respectively, to bring the percentage of total net incurred costs for shared services under the Shared Services Agreement to the applicable agreed upon allocation percentage. The Company had accounts receivable from MPM of $2 and $5 as of June 30, 2017 and December 31, 2016, respectively, and no accounts payable to MPM.

Sales and Purchases of Products with MPM

The Company also sells products to, and purchases products from, MPM. During the three months ended June 30, 2017 and 2016, the Company sold less than $1 and purchased $7, respectively. During the six months ended June 30, 2017 and 2016, the Company sold less than $1 of products to MPM and purchased $12 and $15, respectively. During the three and six months ended June 30, 2017 and 2016, the Company earned less than $1 from MPM as compensation for acting as distributor of products. As of both June 30, 2017 and December 31, 2016, the Company had less than $1 of accounts receivable from MPM and $2 of accounts payable to MPM.

Purchases and Sales of Products and Services with Apollo Affiliates Other than MPM

The Company sells products to various Apollo affiliates other than MPM. These sales were $1 and $2 for the three months ended June 30, 2017 and 2016, respectively, and $2 and $6 for the six months ended June 30, 2017 and 2016, respectively. Accounts receivable from these affiliates were less than $1 at both June 30, 2017 and December 31, 2016. The Company also purchases raw materials and services from various Apollo affiliates other than MPM. There were no purchases for the three and six months ended June 30, 2017 and purchases of $0 and less than $1 for the three and six months ended June 30, 2016, respectively. The Company had no accounts payable to these affiliates at June 30, 2017 and accounts payable of less than $1 at December 31, 2016.

Other Transactions and Arrangements

The Company sells products and provides services to, and purchases products from, its joint ventures which are recorded under the equity method of accounting. These sales were $4 and $14 for the three months ended June 30, 2017 and 2016, respectively, and $8 and $34 for the six months ended June 30, 2017 and 2016, respectively. Accounts receivable from these joint ventures were $4 and $7 at June 30, 2017 and December 31, 2016, respectively. These purchases were $3 and $4 for the three months ended June 30, 2017 and 2016, respectively, and $7 and $10 for the six months ended June 30, 2017 and 2016, respectively. The Company had accounts payable to these joint ventures of $1 at both June 30, 2017 and December 31, 2016.

The Company had a loan receivable of $6 and royalties receivable of $2 as of both June 30, 2017 and December 31, 2016 from its unconsolidated forest products joint venture in Russia. Note that these royalties receivable are also included in the accounts receivable from joint ventures disclosed above.

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.

Recurring Fair Value Measurements

As of June 30, 2017, the Company had derivative assets related to electricity, natural gas and foreign exchange contracts of less than $1, which were measured using level 2 inputs, and consists of derivative instruments transacted primarily over-the-counter markets. There were no transfers between Level 1, Level 2 or Level 3 measurements during the six months ended June 30, 2017 or 2016.

The Company calculates the fair value of its Level 2 derivative assets 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 June 30, 2017 and December 31, 2016, 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.

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
June 30, 2017					
Debt	$ 3,746	$ —	$ 3,278	$ 8	$ 3,286
December 31, 2016					
Debt	$ 3,542	$ —	$ 3,134	$ 9	$ 3,143

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 capital leases 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, short term investments, accounts receivable, accounts payable and other accrued liabilities are considered reasonable estimates of their fair values due to the short-term maturity of these financial instruments.

6. Debt Obligations

Debt outstanding at June 30, 2017 and December 31, 2016 is as follows:

	June 30, 2017		December 31, 2016	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
ABL Facility	$ 119	$ —	$ —	$ —
Senior Secured Notes:				
6.625% First-Priority Senior Secured Notes due 2020 (includes $3 of unamortized debt premium)	1,553	—	1,553	—
10.00% First-Priority Senior Secured Notes due 2020	315	—	315	—
10.375% First-Priority Senior Secured Notes due 2022	560	—	—	—
8.875% Senior Secured Notes due 2018 (includes $1 of unamortized debt discount at December 31, 2016)	—	—	706	—
13.75% Senior Secured Notes due 2022	225	—	—	—
9.00% Second-Priority Senior Secured Notes due 2020	574	—	574	—
Debentures:				
9.2% debentures due 2021	74	—	74	—
7.875% debentures due 2023	189	—	189	—
Other Borrowings:				
Australia Facility due 2017	—	54	—	51
Brazilian bank loans	12	30	14	26
Capital leases	7	1	7	2
Other	4	29	3	28
Unamortized debt issuance costs	(47)	—	(38)	—
Total	$ 3,585	$ 114	$ 3,397	$ 107

2017 Refinancing Transactions

- In February 2017, the Company issued $485 aggregate principal amount of 10.375% First-Priority Senior Secured Notes due 2022 (the "New First Lien Notes") and $225 aggregate principal amount of 13.75% Senior Secured Notes due 2022 (the "New Senior Secured Notes"). Upon the closing of these offerings, the Company used the net proceeds from these offerings, together with cash on its balance sheet, to redeem all of the Company's outstanding 8.875% Senior Secured Notes due 2018 (the "Old Senior Secured Notes"), which occurred in March 2017. In connection with the extinguishment of the Old Senior Secured Notes, the Company wrote off $3 of unamortized deferred debt issuance costs and discounts, which are included in "(Gain) loss on extinguishment of debt" in the unaudited Condensed Consolidated Statements of Operations.

- In May 2017, the Company issued an additional $75 aggregate principal amount of New First Lien Notes at an issue price of 100.5%. These notes mature on February 1, 2022 and have the same terms as the New First Lien Notes issued in February 2017. The Company used the net proceeds from these notes for general corporate purposes.

- The Company also amended and restated its ABL Facility in December 2016 with modifications to, among other things, permit the refinancing of the Old Senior Secured Notes. In connection with the issuance of the new notes in February 2017, certain lenders under the ABL Facility provided extended revolving credit facility commitments in an aggregate principal amount of $350 with a maturity date of December 5, 2021 (subject to certain early maturity triggers), the existing commitments were terminated and the size of the ABL Facility was reduced from $400 to $350.

  These transactions are collectively referred to as the "2017 Refinancing Transactions."

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.

Environmental Institution of Paraná IAP—On August 10, 2005, the Environmental Institute of Paraná (IAP), an environmental agency in the State of Paraná, provided Hexion Quimica Industria, the Company's Brazilian subsidiary, with notice of an environmental assessment in the amount of 12 Brazilian reais. The assessment related to alleged environmental damages to the Paranagua Bay caused in November 2004 from an explosion on a shipping vessel carrying methanol purchased by the Company. The investigations performed by the public authorities have not identified any actions of the Company that contributed to or caused the accident. The Company responded to the assessment by filing a request to have it cancelled and by obtaining an injunction precluding execution of the assessment pending adjudication of the issue. In November 2010, the Court denied the Company's request to cancel the assessment and lifted the injunction that had been issued. The Company responded to the ruling by filing an appeal in the State of Paraná Court of Appeals. In March 2012, the Company was informed that the Court of Appeals had denied the Company's appeal, and on June 4, 2012 the Company filed appeals to the Superior Court of Justice and the Supreme Court of Brazil. In September 2016, the Superior Court of Justice decided that strict liability does not apply to administrative fines issued by environmental agencies and reversed the decision of the State of Paraná Court of Appeals. The Superior Court of Justice remanded the case back to the Court of Appeals to determine if the IAP met its burden of proving negligence by the Company. The Company continues to believe it has strong defenses against the validity of the assessment, and does not believe that a loss is probable. At June 30, 2017, the amount of the assessment, including tax, penalties, monetary correction and interest, is 55 Brazilian reais, or approximately $16.

The following table summarizes all probable environmental remediation, indemnification and restoration liabilities, including related legal expenses, at June 30, 2017 and December 31, 2016:

	Liability		Range of Reasonably Possible Costs at June 30, 2017	
Site Description	**June 30, 2017**	**December 31, 2016**	**Low**	**High**
Geismar, LA	$ 14	$ 14	$ 9	$ 22
Superfund and offsite landfills – allocated share:				
Less than 1%	2	2	1	5
Equal to or greater than 1%	7	6	5	13
Currently-owned	4	4	3	9
Formerly-owned:				
Remediation	28	30	26	43
Monitoring only	1	1	—	1
Total	$ 56	$ 57	$ 44	$ 93

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 June 30, 2017 and December 31, 2016, $13 have been included in "Other current liabilities" in the unaudited Condensed Consolidated Balance Sheets, with the remaining amount included in "Other long-term liabilities."

Following is a discussion of the Company's environmental liabilities and the related assumptions at June 30, 2017:

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 of 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 22 years. The range of possible outcomes is discounted in a similar manner. The undiscounted liability, which is expected to be paid over the next 22 years, is approximately $20. Over the next five years, the Company expects to make ratable payments totaling $6.

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 Company expects to pay approximately $4 of these liabilities within the next five years, with the remainder over the next ten years. 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 our 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 Company entered into a settlement agreement effective February 1, 2016 with Coronet Industries and another former site owner. Pursuant to the agreement, the Company agreed to pay $10 in fulfillment of the contribution claim against the Company for past remediation costs, payable in three annual installments, of which one installment remains to be paid in 2018. Additionally, the Company 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 $15. The final costs to the Company will depend on the method of remediation chosen, the amount of time necessary to accomplish remediation and the ongoing financial viability of the other PRPs. Currently, the Company has insufficient information to estimate the range of reasonably possible costs related to this site.

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 $4 and $2 at June 30, 2017 and December 31, 2016, respectively, for all non-environmental legal defense costs incurred and settlement costs that it believes are probable and estimable. At June 30, 2017 and December 31, 2016, $3 and $1, respectively, has been included in "Other current liabilities" in the unaudited Condensed Consolidated Balance Sheets, with the remaining amount included in "Other long-term liabilities."

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

Following are the components of net pension and postretirement (benefit) expense recognized by the Company for the three and six months ended June 30, 2017 and 2016:

	Pension Benefits				Non-Pension Postretirement Benefits			
	Three Months Ended June 30,				Three Months Ended June 30,			
	2017		2016		2017		2016	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$ —	$ 4	$ 1	$ 3	$ —	$ —	$ —	$ —
Interest cost on projected benefit obligation	2	2	2	3	—	1	—	1
Expected return on assets	(3)	(3)	(4)	(2)	—	—	—	—
Amortization of prior service benefit	—	—	—	—	—	—	(1)	—
Net (benefit) expense	$ (1)	$ 3	$ (1)	$ 4	$ —	$ 1	$ (1)	$ 1

	Pension Benefits				Non-Pension Postretirement Benefits			
	Six Months Ended June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$ 1	$ 8	$ 2	$ 7	$ —	$ —	$ —	$ —
Interest cost on projected benefit obligation	4	4	4	5	—	1	—	1
Expected return on assets	(7)	(5)	(7)	(5)	—	—	—	—
Amortization of prior service benefit	—	—	—	—	—	—	(1)	—
Net (benefit) expense	$ (2)	$ 7	$ (1)	$ 7	$ —	$ 1	$ (1)	$ 1

9. Segment Information

The Company's business segments are based on the products that the Company offers and the markets that it serves. At June 30, 2017, the Company had two reportable segments: Epoxy, Phenolic and Coating Resins and Forest Products Resins. A summary of the major products of the Company's reportable segments follows:

- **Epoxy, Phenolic and Coating Resins:** epoxy specialty resins, phenolic encapsulated substrates, versatic acids and derivatives, basic epoxy resins and intermediates and phenolic specialty resins and molding compounds
- **Forest Products Resins:** forest products resins and formaldehyde applications

Reportable Segments

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 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 segments, such as shared service and administrative functions, foreign exchange gains and losses and legacy company costs not allocated to continuing segments.

Net Sales [1]:

	Three Months Ended June 30,		Six Months Ended June 30.	
	2017	2016	2017	2016
Epoxy, Phenolic and Coating Resins	$ 517	$ 613	$ 1,009	$ 1,188
Forest Products Resins	395	339	773	673
Total	$ 912	$ 952	$ 1,782	$ 1,861

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

Reconciliation of Net (Loss) Income to Segment EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Reconciliation:				
Net (loss) income	$ (34)	$ 150	$ (76)	$ 106
Income tax (benefit) expense	(1)	17	7	24
Interest expense, net	82	80	165	159
Depreciation and amortization	28	36	56	71
Accelerated depreciation	—	60	—	106
EBITDA	$ 75	$ 343	$ 152	$ 466
Items not included in Segment EBITDA:				
Business realignment costs	$ 10	$ 42	$ 17	$ 45
Gain on dispositions	—	(240)	—	(240)
Realized and unrealized foreign currency gains	(1)	(11)	(2)	(9)
(Gain) loss on extinguishment of debt	—	(21)	3	(44)
Other	16	17	25	34
Total adjustments	25	(213)	43	(214)
Segment EBITDA	$ 100	$ 130	$ 195	$ 252
Segment EBITDA:				
Epoxy, Phenolic and Coating Resins	$ 46	$ 83	$ 98	$ 166
Forest Products Resins	68	63	129	119
Corporate and Other	(14)	(16)	(32)	(33)
Total	$ 100	$ 130	$ 195	$ 252

Items Not Included in Segment EBITDA

Not included in Segment EBITDA are certain non-cash items and other income and expenses. For the three and six months ended June 30, 2017 and 2016, these items primarily include expenses from retention programs and certain professional fees related to strategic projects. Business realignment costs for the three and six months ended June 30, 2017 primarily include costs related to certain in-process facility rationalizations and cost reduction programs. Business realignment costs for the three and six months ended June 30, 2016 primarily include costs related to the planned facility rationalization within the Epoxy, Phenolic and Coating Resins segment and costs related to certain in-process cost reduction programs.

10. Changes in Accumulated Other Comprehensive Loss

Following is a summary of changes in "Accumulated other comprehensive loss" for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
	Defined Benefit Pension and Postretirement Plans	Foreign Currency Translation Adjustments	Total	Defined Benefit Pension and Postretirement Plans	Foreign Currency Translation Adjustments	Total
Beginning balance	$ 3	$ (36)	$ (33)	$ 4	$ 7	$ 11
Other comprehensive income (loss) before reclassifications, net of tax	—	9	9	(1)	(25)	(26)
Ending balance	$ 3	$ (27)	$ (24)	$ 3	$ (18)	$ (15)

	Six Months Ended June 30, 2017			Six Months Ended June 30 2016		
	Defined Benefit Pension and Postretirement Plans	Foreign Currency Translation Adjustments	Total	Defined Benefit Pension and Postretirement Plans	Foreign Currency Translation Adjustments	Total
Beginning balance	$ 3	$ (42)	$ (39)	$ 4	$ (19)	$ (15)
Other comprehensive income (loss) before reclassifications, net of tax	—	15	15	(1)	1	—
Ending balance	$ 3	$ (27)	$ (24)	$ 3	$ (18)	$ (15)

11. Income Taxes

The effective tax rate was 3% and 11% for the three months ended June 30, 2017 and 2016, respectively. The effective tax rate was (10)% and 20% for the six months ended June 30, 2017 and 2016, 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.

For the three and six months ended June 30, 2017 and 2016, income tax expense relates primarily to income from certain foreign operations. In 2017, 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. In 2016, the income tax expense related to the gain on dispositions was substantially reduced by net operating loss utilization which was offset by a decrease to the respective valuation allowances.

12. Guarantor/Non-Guarantor Subsidiary Financial Information

The Company's 6.625% First-Priority Senior Secured Notes due 2020, 10.00% First-Priority Senior Secured Notes due 2020, 10.375% First-Priority Senior Secured Notes due 2022, 13.75% Senior Secured Notes due 2022 and 9.00% Second-Priority Senior Secured Notes due 2020 are guaranteed by certain of its U.S. subsidiaries.

The following information contains the condensed consolidating financial information for Hexion Inc. (the parent), the combined subsidiary guarantors (Hexion Investments Inc.; Lawter International, Inc.; HSC Capital Corporation (dissolved in April 2017); Hexion International Inc.; Hexion CI Holding Company (China) LLC; NL COOP Holdings LLC and Oilfield Technology Group, Inc.) and the combined non-guarantor subsidiaries, which includes all of the Company's foreign subsidiaries.

All of the subsidiary guarantors are 100% owned by Hexion Inc. All guarantees are full and unconditional, and are joint and several. There are no significant restrictions on the ability of the Company to obtain funds from its domestic subsidiaries by dividend or loan. While the Company's Australian, New Zealand, Brazilian and China subsidiaries contain certain restrictions related to the payment of dividends and intercompany loans due to the terms of their credit facilities, there are no material restrictions on the Company's ability to obtain cash from the remaining non-guarantor subsidiaries.

These financial statements are prepared on the same basis as the consolidated financial statements of the Company except that investments in subsidiaries are accounted for using the equity method for purposes of the consolidating presentation. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions.

This information includes allocations of corporate overhead to the combined non-guarantor subsidiaries based on net sales. Income tax expense has been provided on the combined non-guarantor subsidiaries based on actual effective tax rates.

HEXION INC.
June 30, 2017
CONDENSED CONSOLIDATING BALANCE SHEET (Unaudited)

	Hexion Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents (including restricted cash of $0 and $18, respectively)	$ 12	$ —	$ 116	$ —	$ 128
Accounts receivable, net	126	2	369	—	497
Intercompany accounts receivable	135	—	25	(160)	—
Intercompany loans receivable - current portion	4	—	—	(4)	—
Inventories:					
Finished and in-process goods	101	—	143	—	244
Raw materials and supplies	39	—	63	—	102
Other current assets	16	—	29	—	45
Total current assets	433	2	745	(164)	1,016
Investment in unconsolidated entities	128	13	19	(141)	19
Deferred income taxes	—	—	12	—	12
Other assets, net	16	6	25	—	47
Intercompany loans receivable	1,075	—	254	(1,329)	—
Property and equipment, net	436	—	479	—	915
Goodwill	66	—	59	—	125
Other intangible assets, net	37	—	10	—	47
Total assets	$ 2,191	$ 21	$ 1,603	$ (1,634)	$ 2,181
Liabilities and Deficit					
Current liabilities:					
Accounts payable	$ 134	$ —	$ 252	$ —	$ 386
Intercompany accounts payable	25	—	135	(160)	—
Debt payable within one year	—	—	114	—	114
Intercompany loans payable within one year	—	—	4	(4)	—
Interest payable	78	—	3	—	81
Income taxes payable	6	—	1	—	7
Accrued payroll and incentive compensation	4	—	27	—	31
Other current liabilities	80	—	53	—	133
Total current liabilities	327	—	589	(164)	752
Long-term liabilities:					
Long-term debt	3,482	—	103	—	3,585
Intercompany loans payable	254	—	1,075	(1,329)	—
Accumulated losses of unconsolidated subsidiaries in excess of investment	575	141	—	(716)	—
Long-term pension and post employment benefit obligations	40	—	218	—	258
Deferred income taxes	5	—	8	—	13
Other long-term liabilities	107	—	66	—	173
Total liabilities	4,790	141	2,059	(2,209)	4,781
Total Hexion Inc. shareholder’s deficit	(2,599)	(120)	(455)	575	(2,599)
Noncontrolling interest	—	—	(1)	—	(1)
Total deficit	(2,599)	(120)	(456)	575	(2,600)
Total liabilities and deficit	$ 2,191	$ 21	$ 1,603	$ (1,634)	$ 2,181

HEXION INC.
DECEMBER 31, 2016
CONDENSED CONSOLIDATING BALANCE SHEET

	Hexion Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents (including restricted cash of $0 and $17, respectively)	$ 28	$ —	$ 168	$ —	$ 196
Accounts receivable, net	119	1	270	—	390
Intercompany accounts receivable	106	—	60	(166)	—
Intercompany loans receivable - current portion	—	—	175	(175)	—
Inventories:					
Finished and in-process goods	82	—	117	—	199
Raw materials and supplies	31	—	57	—	88
Other current assets	26	—	19	—	45
Total current assets	392	1	866	(341)	918
Investment in unconsolidated entities	93	13	18	(106)	18
Deferred income taxes	—	—	10	—	10
Other long-term assets	17	6	20	—	43
Intercompany loans receivable	1,050	—	180	(1,230)	—
Property and equipment, net	448	—	445	—	893
Goodwill	65	—	56	—	121
Other intangible assets, net	41	—	11	—	52
Total assets	$ 2,106	$ 20	$ 1,606	$ (1,677)	$ 2,055
Liabilities and Deficit					
Current liabilities:					
Accounts payable	$ 142	$ —	$ 226	$ —	$ 368
Intercompany accounts payable	60	—	106	(166)	—
Debt payable within one year	6	—	101	—	107
Intercompany loans payable within one year	175	—	—	(175)	—
Interest payable	69	—	1	—	70
Income taxes payable	6	—	7	—	13
Accrued payroll and incentive compensation	28	—	27	—	55
Other current liabilities	110	—	49	—	159
Total current liabilities	596	—	517	(341)	772
Long term liabilities:					
Long-term debt	3,378	—	19	—	3,397
Intercompany loans payable	180	—	1,050	(1,230)	—
Accumulated losses of unconsolidated subsidiaries in excess of investment	339	106	—	(445)	—
Long-term pension and post employment benefit obligations	42	—	204	—	246
Deferred income taxes	4	—	9	—	13
Other long-term liabilities	105	—	61	—	166
Total liabilities	4,644	106	1,860	(2,016)	4,594
Total Hexion Inc. shareholder's deficit	(2,538)	(86)	(253)	339	(2,538)
Noncontrolling interest	—	—	(1)	—	(1)
Total deficit	(2,538)	(86)	(254)	339	(2,539)
Total liabilities and deficit	$ 2,106	$ 20	$ 1,606	$ (1,677)	$ 2,055

HEXION INC.
THREE MONTHS ENDED JUNE 30, 2017
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)

	Hexion Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 417	$ —	$ 550	$ (55)	$ 912
Cost of sales	355	—	478	(55)	778
Gross profit	62	—	72	—	134
Selling, general and administrative expense	32	—	43	—	75
Business realignment costs	6	—	4	—	10
Other operating income, net	3	—	6	—	9
Operating income	21	—	19	—	40
Interest expense, net	78	—	4	—	82
Intercompany interest (income) expense, net	(18)	—	18	—	—
Other non-operating (income) expense, net	(48)	—	43	—	(5)
Income (loss) before tax and earnings from unconsolidated entities	9	—	(46)	—	(37)
Income tax expense (benefit)	2	—	(3)	—	(1)
Income (loss) before earnings from unconsolidated entities	7	—	(43)	—	(36)
(Losses) earnings from unconsolidated entities, net of taxes	(41)	(32)	1	74	2
Net loss	$ (34)	$ (32)	$ (42)	$ 74	$ (34)
Comprehensive loss	$ (25)	$ (31)	$ (46)	$ 77	$ (25)

HEXION INC.
THREE MONTHS ENDED JUNE 30, 2016
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)

	Hexion Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 382	$ —	$ 616	$ (46)	$ 952
Cost of sales	381	—	519	(46)	854
Gross profit	1	—	97	—	98
Selling, general and administrative expense	40	—	42	—	82
Gain on dispositions	(188)	—	(52)	—	(240)
Business realignment costs	37	—	5	—	42
Other operating expense (income), net	2	—	(6)	—	(4)
Operating income	110	—	108	—	218
Interest expense, net	76	—	4	—	80
Intercompany interest (income) expense, net	(18)	—	18	—	—
Gain on extinguishment of debt	(21)	—	—	—	(21)
Other non-operating expense (income), net	24	—	(27)	—	(3)
Income before income tax and earnings from unconsolidated entities	49	—	113	—	162
Income tax expense	—	—	17	—	17
Income before earnings from unconsolidated entities	49	—	96	—	145
Earnings from unconsolidated entities, net of taxes	101	51	2	(149)	5
Net income	$ 150	$ 51	$ 98	$ (149)	$ 150
Comprehensive income	$ 124	$ 52	$ 76	$ (128)	$ 124

HEXION INC.
SIX MONTHS ENDED JUNE 30, 2017
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)

	Hexion Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 795	$ —	$ 1,093	$ (106)	$ 1,782
Cost of sales	677	—	944	(106)	1,515
Gross profit	118	—	149	—	267
Selling, general and administrative expense	63	—	89	—	152
Business realignment costs	10	—	7	—	17
Other operating (income) expense, net	(3)	—	6	—	3
Operating income	48	—	47	—	95
Interest expense, net	158	—	7	—	165
Intercompany interest (income) expense, net	(35)	—	35	—	—
Loss on extinguishment of debt	3	—	—	—	3
Other non-operating (income) expense, net	(54)	—	53	—	(1)
Loss before tax and earnings from unconsolidated entities	(24)	—	(48)	—	(72)
Income tax (benefit) expense	(4)	—	11	—	7
Loss before earnings from unconsolidated entities	(20)	—	(59)	—	(79)
(Losses) earnings from unconsolidated entities, net of taxes	(56)	(34)	2	91	3
Net loss	$ (76)	$ (34)	$ (57)	$ 91	(76)
Comprehensive loss	(61)	(34)	(49)	83	(61)

HEXION INC.
SIX MONTHS ENDED JUNE 30, 2016
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)

	Hexion Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 763	$ —	$ 1,194	$ (96)	$ 1,861
Cost of sales	755	—	997	(96)	1,656
Gross profit	8	—	197	—	205
Selling, general and administrative expense	79	—	87	—	166
Gain on dispositions	(188)	—	(52)	—	(240)
Business realignment costs	38	—	7	—	45
Other operating expense (income), net	4	—	(5)	—	(1)
Operating income	75	—	160	—	235
Interest expense, net	153	—	6	—	159
Intercompany interest (income) expense, net	(37)	—	37	—	—
Gain on extinguishment of debt	(44)	—	—	—	(44)
Other non-operating (income) expense, net	(11)	—	10	—	(1)
Income before income tax and earnings from unconsolidated entities	14	—	107	—	121
Income tax (benefit) expense	(4)	—	28	—	24
Income before earnings from unconsolidated entities	18	—	79	—	97
Earnings from unconsolidated entities, net of taxes	88	46	2	(127)	9
Net income	$ 106	$ 46	$ 81	$ (127)	$ 106
Comprehensive income	$ 106	$ 46	$ 74	$ (120)	$ 106

HEXION INC.
SIX MONTHS ENDED JUNE 30, 2017
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)

	Hexion Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows used in operating activities	$ (186)	$ —	$ (9)	$ —	$ (195)
Cash flows provided by (used in) investing activities					
Capital expenditures	(23)	—	(34)	—	(57)
Proceeds from sale of assets, net	4	—	—	—	4
Change in restricted cash	—	—	1	—	1
Return of capital from subsidiary from sales of accounts receivable	68 (a)	—	—	(68)	—
	49	—	(33)	(68)	(52)
Cash flows provided by (used in) financing activities					
Net short-term debt (repayments) borrowings	(5)	—	13	—	8
Borrowings of long-term debt	915	—	204	—	1,119
Repayments of long-term debt	(801)	—	(127)	—	(928)
Net intercompany loan borrowings (repayments)	31	—	(31)	—	—
Long-term debt and credit facility financing fees paid	(20)	—	(4)	—	(24)
Return of capital to parent from sales of accounts receivable	—	—	(68) (a)	68	—
	120	—	(13)	68	175
Effect of exchange rates on cash and cash equivalents	—	—	3	—	3
Change in cash and cash equivalents	(17)	—	(52)	—	(69)
Cash and cash equivalents (unrestricted) at beginning of period	28	—	151	—	179
Cash and cash equivalents (unrestricted) at end of period	$ 11	$ —	$ 99	$ —	$ 110

(a) During the six months ended June 30, 2017, Hexion Inc. contributed receivables of $68 to a non-guarantor subsidiary as capital contributions, resulting in a non-cash transaction. During the six months ended June 30, 2017, the non-guarantor subsidiary sold the contributed receivables to certain banks under various supplier financing agreements. The cash proceeds were returned to Hexion Inc. by the non-guarantor subsidiary as a return of capital. The sale of receivables has been included within cash flows from operating activities on the Combined non-guarantor subsidiaries. The return of the cash proceeds from the sale of receivables has been included as a financing outflow and an investing inflow on the Combined Non-Guarantor Subsidiaries and Hexion Inc., respectively.

HEXION INC.
SIX MONTHS ENDED JUNE 30, 2016
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)

	Hexion Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows (used in) provided by operating activities	$ (145)	$ 4	$ (5)	$ (4)	$ (150)
Cash flows provided by (used in) investing activities					
Capital expenditures	(33)	—	(28)	—	(61)
Capitalized interest	(1)	—	—	—	(1)
Proceeds from dispositions, net	146	—	135	—	281
Proceeds from sale of assets, net	—	—	1	—	1
Change in restricted cash	—	—	(10)	—	(10)
Capital contribution to subsidiary	(13)	(9)	—	22	—
Return of capital from subsidiary from sales of accounts receivable	51 (a)	—	—	(51)	—
	150	(9)	98	(29)	210
Cash flows (used in) provided by financing activities					
Net short-term debt repayments	(6)	—	(6)	—	(12)
Borrowings of long-term debt	160	—	175	—	335
Repayments of long-term debt	(314)	—	(125)	—	(439)
Net intercompany loan borrowings (repayments)	136	—	(136)	—	—
Capital contributions	—	9	13	(22)	—
Common stock dividends paid	—	(4)	—	4	—
Return of capital to parent from sales of accounts receivable	—	—	(51) (a)	51	—
	(24)	5	(130)	33	(116)
Effect of exchange rates on cash and cash equivalents	—	—	—	—	—
Decrease in cash and cash equivalents	(19)	—	(37)	—	(56)
Cash and cash equivalents (unrestricted) at beginning of period	62	—	166	—	228
Cash and cash equivalents (unrestricted) at end of period	$ 43	$ —	$ 129	$ —	$ 172

(a) During the six months ended June 30, 2016, Hexion Inc. contributed receivables of $51 to a non-guarantor subsidiary as capital contributions, resulting in a non-cash transaction. During the six months ended June 30, 2016, the non-guarantor subsidiary sold the contributed receivables to certain banks under various supplier financing agreements. The cash proceeds were returned to Hexion Inc. by the non-guarantor subsidiary as a return of capital. The sale of receivables has been included within cash flows from operating activities on the Combined non-guarantor subsidiaries. The return of the cash proceeds from the sale of receivables has been included as a financing outflow and an investing inflow on the Combined Non-Guarantor Subsidiaries and Hexion Inc., respectively.

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 second quarter of 2017" refers to the three months ended June 30, 2017 , "the second quarter of 2016" refers to the three months ended June 30, 2016, "the first half of 2017" refers to the six months ended June 30, 2017 and "the first half of 2016" refers to the six months ended June 30, 2016.

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," "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 Securities and Exchange Commission (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, including transactions with our affiliate, Momentive Performance Materials Inc., the impact of our substantial 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 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

Business Overview

We are a large participant in the specialty chemicals industry, and a leading producer of adhesive and structural resins and coatings. Thermosets are a critical ingredient for virtually all 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, auto build rates, wind energy turbine installations and active oil and gas drilling rigs. 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 4,200 customers in approximately 100 countries. Our global customers include large companies in their respective industries, such as 3M, Akzo Nobel, BASF, Bayer, Dow, Louisiana Pacific, Monsanto, Owens Corning, PPG Industries, Valspar and Weyerhaeuser.

Reportable Segments

Our business segments are based on the products that we offer and the markets that we serve. At June 30, 2017, we had two reportable segments: Epoxy, Phenolic and Coating Resins and Forest Products Resins. A summary of the major products of our reportable segments follows:

- **Epoxy, Phenolic and Coating Resins:** epoxy specialty resins, phenolic encapsulated substrates, versatic acids and derivatives, basic epoxy resins and intermediates, phenolic specialty resins and molding compounds, polyester resins, acrylic resins and vinylic resins
- **Forest Products Resins:** forest products resins and formaldehyde applications

2017 Overview

Following are highlights from our results of operations for the six months ended June 30, 2017 and 2016:

	2017	2016	$ Change	% Change
Statements of Operations:				
Net sales	$ 1,782	$ 1,861	$ (79)	(4)%
Gross profit	267	205	62	30 %
Operating income	95	235	(140)	(60)%
(Loss) income before income tax	(72)	121	(193)	160 %
Net (loss) income	(76)	106	(182)	172 %
Segment EBITDA:				
Epoxy, Phenolic and Coating Resins	$ 98	$ 166	$ (68)	(41)%
Forest Products Resins	129	119	10	8 %
Corporate and Other	(32)	(33)	1	3 %
Total	$ 195	$ 252	$ (57)	(23)%

- ***Net Sales***—Net sales in the first half of 2017 were $1.8 billion, a decrease of 4% compared with $1.9 billion in the first half of 2016. Excluding $185 of net sales in the first half of 2016 from our Performance Adhesives, Powder Coatings, Additives & Acrylic Coatings and Monomers businesses ("PAC Business") that did not recur in the first half of 2017, net sales increased by 6%. These increases were driven by pricing, which positively impacted sales by $90 due largely to raw material price increases passed through to customers across many of our businesses, partially offset by competitive pricing pressures in our epoxy specialty business. Overall, volumes positively impacted net sales by $30 driven by strong market demand in our North American formaldehyde business, as well as the additional capacity from our new formaldehyde plants. Additionally, volumes increased in our North American forest products resins business due to modest growth in the U.S. housing market and in our base epoxy resins business as it continues to recover from cyclical trough conditions. These increases were largely offset by volume decreases in our epoxy specialty business driven by a temporary destocking of wind blades in China. The impact of foreign exchange translation negatively impacted net sales by $14 due primarily to the strengthening of the U.S. dollar against the euro and Chinese yuan in the first half of 2017 compared to the first half of 2016, partially offset by the strengthening of the Brazilian real against the U.S. dollar.

- ***Net Loss***—Net loss in the first half of 2017 was $76, a decrease of $182 as compared with net income of $106 in the first half of 2016. This decrease was primarily driven by gains on the disposition of our PAC business and HA-International, LLC ("HAI") joint venture interest of $240 and gains on debt buybacks in the first half of 2016 that did not recur in the first half of 2017. These decreases to net loss were partially offset by increased gross margin and decreased business realignment costs. Higher gross margin is primarily driven by $106 of accelerated depreciation in the first half of 2016 related to our Norco, LA facility closure that did not recur in the first half of 2017, partially offset by the absence of gross margin from our divested PAC business in first half of 2017 results. Lower business realignment costs are largely attributable to $35 of costs in the first half of 2016 related to the Norco, LA facility closure that did not recur in the first half of 2017.

- ***Segment EBITDA***—For the first half of 2017, Segment EBITDA was $195, a decrease of 23% compared with $252 in the first half of 2016. Excluding Segment EBITDA of $30 in the first half of 2016 from our PAC Business and HAI joint venture that did not recur in the first half of 2017, Segment EBITDA decreased by 12%. The remaining decrease was primarily driven by volume decreases and margin compression in our specialty epoxy business, as well as $9 of insurance recoveries received in the first half of 2016 in our versatic acids business that did not recur in the first half of 2017. These decreases were partially offset by volume increases in our North American formaldehyde business discussed above, as well as continued cost efficiencies associated with our new North American formaldehyde plants. Additionally, improvements in our oilfield and base epoxy resins businesses positively impacted Segment EBITDA, as both of these businesses continue to recover from cyclical trough conditions.

- ***Restructuring and Cost Reduction Programs—***During the first half of 2017, we have achieved $15 in cost savings related to our ongoing productivity and cost reduction programs. As of June 30, 2017, we have approximately $17 of additional total in-process cost savings related to these programs, the majority of which we expect to achieve in the next 12 months.

- ***Growth Initiatives—***Our new North American formaldehyde plants, the last of which was completed in the first quarter of 2016, have provided us with additional capacity to support expected long-term growth in this business and has helped drive improved results in 2017. In addition, we continue to focus on new product development and have taken steps to improve our analytical and product development services for our global grid, such as our announcement of the construction of a new research and development facility in Germany and the expansion of our technology center in Edmonton. Further, we continue to invest in new coatings technologies and capacity in response to recent volatile organic compounds regulation in China and throughout the world.

- ***2017 Refinancing Transactions—***In February 2017, we issued $485 aggregate principal amount of New First Lien Notes and $225 aggregate principal amount of New Senior Secured Notes. We used the net proceeds from these notes, together with cash on our balance sheet, to redeem all of our outstanding Old Senior Secured Notes. In May 2017, we issued an additional $75 aggregate principal amount of New First Lien Notes. We also amended and restated our ABL Facility, which effectively extended the maturity date of the facility from March 2018 to December 2021 and reduced the existing commitments under the facility from $400 to $350.

Short-term Outlook

We expect strong market demand combined with the incremental capacity created by our new formaldehyde plants in North America to continue to drive volume increases in our North American formaldehyde business for the remainder of 2017. Additionally, we continue to expect improved demand in our North American forest products resins business due to ongoing modest growth in U.S. housing starts.

We expect lower year over year demand in our epoxy specialty business to continue into the second half of 2017 as the China wind energy market begins to rebound from current trough conditions. We also expect this business to benefit from improved market demand in waterborne coatings. Additionally, we expect our phenolic resins business to continue to benefit from the acquisition of the remaining 50% of our previous Chinese joint venture, as well as from the introduction of new products into the Chinese market. Further, we anticipate volumes in our versatic acid and derivatives business to continue to improve due to ongoing volume recovery and favorable market conditions. We also expect modest year over year improvement in our oilfield business throughout 2017 due to increased drilling activity. Lastly, we expect our base epoxy business to improve throughout 2017 due to our restructuring initiatives and favorable market conditions.

We expect raw material prices to stabilize through the remainder of 2017 following large increases in the first half of 2017. Overall, we anticipate higher raw material prices in 2017 relative to 2016.

Matters Impacting Comparability of Results

Dispositions of PAC Business and HAI Joint Venture Interest

During the second quarter of 2016, we completed the sales of both our PAC Business and our 50% interest in the HAI joint venture. As a result, when comparing 2017 to 2016, our results in the first half of 2017 exclude these divested businesses, while our results in the first half of 2016 include net sales of $185 and Segment EBITDA of $30 related to these divested businesses. Additionally, in the first half of 2016 we recorded a gain of $240 on the disposition of these businesses.

Raw Material Prices

Raw materials comprise approximately 70% of our cost of sales. 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. The average price of phenol and methanol increased by approximately 21% and 66%, respectively, and urea decreased by approximately 1%, in the first six months of 2017 compared to the first six months of 2016. 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 Income

Our other comprehensive income is significantly impacted by foreign currency translation and, to a lesser extent, impacted by defined benefit pension and postretirement benefit adjustments. 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. 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, Canadian dollar and Australian dollar. 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 postretirement benefit plans, as well as the subsequent amortization of these amounts from accumulated other comprehensive income in periods following the initial recording of such items.

Results of Operations

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,			
	2017		2016	
	$	% of Net Sales	$	% of Net Sales
Net sales	$ 912	100 %	$ 952	100 %
Cost of sales	778	85 %	794	83 %
Accelerated depreciation	—	— %	60	6 %
Gross profit	134	15 %	98	11 %
Selling, general and administrative expense	75	8 %	82	9 %
Gain on dispositions	—	— %	(240)	(25)%
Business realignment costs	10	1 %	42	4 %
Other operating expense (income), net	9	1 %	(4)	— %
Operating income	40	5 %	218	23 %
Interest expense, net	82	9 %	80	8 %
Gain on extinguishment of debt	—	— %	(21)	(1)%
Other non-operating income, net	(5)	(1)%	(3)	— %
Total non-operating expense	77	8 %	56	7 %
(Loss) income before income tax and earnings from unconsolidated entities	(37)	(3)%	162	16 %
Income tax (benefit) expense	(1)	— %	17	2 %
(Loss) income before earnings from unconsolidated entities	(36)	(3)%	145	14 %
Earnings from unconsolidated entities, net of taxes	2	— %	5	1 %
Net (loss) income	$ (34)	(3)%	$ 150	15 %
Other comprehensive income (loss)	$ 9		$ (26)	

Three Months Ended June 30, 2017 vs. Three Months Ended June 30, 2016

Net Sales

In the second quarter of 2017, net sales decreased by $40, or 4%, compared to the second quarter of 2016. Excluding $98 of net sales in the second quarter of 2016 from our PAC Business that did not recur in the second quarter of 2017, net sales increased by 7%. Pricing positively impacted sales by $77 due largely to raw material price increases passed through to customers across many of our businesses, partially offset by competitive pressures in our epoxy specialty business. Overall, volume decreases had a small negative impact on net sales of $2, which was primarily due to volume decreases in our epoxy specialty business driven by a temporary destocking of wind blades in China, largely offset by strong market demand in our North American formaldehyde business combined with the additional capacity from our new formaldehyde plants, as well as volume growth in our base epoxy resins and North American forest products resins businesses. Foreign currency translation negatively impacted net sales by $17, primarily as a result of the strengthening of the U.S. dollar against the euro, the Canadian dollar, and Chinese yuan in the second quarter of 2017 compared to the second quarter of 2016, partially offset by the strengthening of the Brazilian real against the U.S. dollar.

Gross Profit

In the second quarter of 2017, gross profit increased by $36 compared to the second quarter of 2016, primarily due to the absence of $60 of accelerated depreciation recorded in the second quarter of 2016 related to the closure of our Norco, LA facility. Gross profit as a percentage of net sales increased by 4%, primarily due to the impact of the accelerated depreciation discussed above, which had a negative impact of 6% on 2016 gross profit. This impact was partially offset by margin compression driven by unfavorable raw material price inflation during the second quarter of 2017.

Operating Income

In the second quarter of 2017, operating income decreased by $178 compared to the second quarter of 2016, primarily due to the gain on dispositions of $240 related to the sale of our PAC Business and HAI joint venture interest in 2016 that did not recur in 2017. Other operating expense increased by $12 primarily due to an increase in realized and unrealized foreign currency transaction losses. These overall decreases to operating income were partially offset by the increase in gross profit of $36 discussed above, as well as decreases in business realignment costs of $32 and decreases in selling, general and administrative expense of $7. The decrease in business realignment costs is largely attributable to costs in the second quarter of 2016 related to the Norco, LA facility closure that did not recur in the second quarter of 2017. The decrease in selling, general and administrative expense was due primarily to lower compensation and benefits expense driven by our recent cost savings and productivity actions, as well as the sale of our PAC Business in the second quarter of 2016, partially offset by $4 of insurance recoveries in the second quarter of 2016 related to the supplier disruption in our European versatic acids business.

Non-Operating Expense

In the second quarter of 2017, total non-operating expense increased by $21 compared to the second quarter of 2016. This was primarily due to lower gains on debt extinguishment of $21 due to gains on debt buybacks in the second quarter of 2016 that did not recur in the second quarter of 2017, as well as an increase in interest expense of $2 driven by higher average debt levels, partially offset by an increase of $2 in other non-operating income due to increased realized and unrealized foreign currency transaction gains.

Income Tax Expense

The effective tax rate was 3% and 11% for the second quarter of 2017 and 2016, 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.

For the second quarter of 2017 and 2016, income tax expense relates primarily to income from certain foreign operations. In 2017, 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. In 2016, the income tax expense related to the gain on dispositions was substantially reduced by net operating loss utilization which was offset by a decrease to the respective valuation allowances.

Other Comprehensive Income

For the second quarter of 2017, foreign currency translation positively impacted other comprehensive income by $9, primarily due to the strengthening of the U.S. dollar against the Brazilian real and Canadian dollar in the second quarter of 2017.

For the second quarter of 2016, other comprehensive loss of $26 relates to $25 negative impact of foreign currency on other comprehensive loss, primarily due to the strengthening of the euro against the U.S. dollar in the second quarter of 2016, as well as $1 related to the amortization of prior service costs on defined benefit pension and postretirement benefits.

	Six Months Ended June 30,			
	2017		2016	
	$	% of Net Sales	$	% of Net Sales
Net sales	$ 1,782	100 %	$ 1,861	100 %
Cost of sales	1,515	85 %	1,550	83 %
Accelerated depreciation	—	— %	106	6 %
Gross profit	267	15 %	205	11 %
Selling, general and administrative expense	152	9 %	166	9 %
Gain on dispositions	—	— %	(240)	(13)%
Business realignment costs	17	1 %	45	2 %
Other operating expense (income), net	3	— %	(1)	— %
Operating income	95	5 %	235	13 %
Interest expense, net	165	9 %	159	9 %
Loss (gain) on extinguishment of debt	3	— %	(44)	(3)%
Other non-operating income, net	(1)	— %	(1)	— %
Total non-operating expense	167	9 %	114	6 %
(Loss) income before income tax and earnings from unconsolidated entities	(72)	(4)%	121	7 %
Income tax expense	7	— %	24	1 %
(Loss) income before earnings from unconsolidated entities	(79)	(4)%	97	6 %
Earnings from unconsolidated entities, net of taxes	3	— %	9	— %
Net (loss) income	$ (76)	(4)%	$ 106	6 %
Other comprehensive income	$ 15		$ —	

Six Months Ended June 30, 2017 vs. Six Months Ended June 30, 2016

Net Sales

In the first half of 2017, net sales decreased by $79, or 4%, compared to the first half of 2016. Excluding $185 of net sales in the first half of 2016 from our PAC Business that did not recur in the first half of 2017, net sales increased by 6%. Pricing positively impacted sales by $90 due largely to raw material price increases passed through to customers across many of our businesses, partially offset by competitive pressures in our epoxy specialty business. Volume increases positively impacted net sales by $30 driven by strong market demand in our North American formaldehyde business combined with the additional capacity from our new formaldehyde plants. Additionally, volumes increased in our North American forest products resins business due to modest growth in the U.S. housing market. Volumes also increased in our base epoxy resins business as it continues to recover from cyclical trough conditions. These increases were largely offset by volume decreases in our epoxy specialty business driven by a temporary destocking of wind blades in China. Lastly, the impact of foreign exchange translation negatively impacted net sales by $14, due primarily to the strengthening of the U.S. dollar against the euro and Chinese yuan in the first half of 2017 compared to the first half of 2016, partially offset by the strengthening of the Brazilian real against the U.S. dollar.

Gross Profit

In the first half of 2017, gross profit increased by $62 compared to the first half of 2016, primarily due to the absence of $106 of accelerated depreciation recorded in the first half of 2016 related to the closure of our Norco, LA facility. Gross profit as a percentage of net sales increased by 4%, primarily due to the impact of the accelerated depreciation discussed above, which had a negative impact of 6% on 2016 gross profit. This impact was partially offset by margin compression driven by unfavorable raw material price inflation during the first half of 2017.

Operating Income

In the first half of 2017, operating income decreased by $140 compared to the first half of 2016, primarily due to the gain on dispositions of $240 related to the sale of our PAC Business and HAI joint venture interest in 2016 that did not recur in 2017. Other operating expense increased by $3 primarily due to an increase in realized and unrealized foreign currency transaction losses. These overall decreases to operating income were partially offset by the increase in gross profit of $62 discussed above, as well as decreases in business realignment costs of $28 and decreases in selling, general and administrative expense of $14. The decrease in business realignment costs is largely attributable to costs in the first half of 2016 related to the Norco, LA facility closure that did not recur in the first half of 2017. The decrease in selling, general and administrative expense was due primarily to lower compensation and benefits expense driven by our recent cost savings and productivity actions, as well as the sale of our PAC Business in the second quarter of 2016, partially offset by $10 of insurance recoveries in the first half of 2016 related to the supplier disruption in our European versatic acids business.

Non-Operating Expense

In the first half of 2017, total non-operating expense increased by $53 compared to the first half of 2016. This was primarily due to lower gains on debt extinguishment of $47 due to gains on debt buybacks in the first half of 2016 that did not recur in the first half of 2017, as well as an increase in interest expense of $6 driven by higher average debt levels.

Income Tax Expense

The effective tax rate was (10)% and 20% for the first half of 2017 and 2016, 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.

For the first half of 2017 and 2016, income tax expense relates primarily to income from certain foreign operations. In 2017, 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. In 2016, the income tax expense related to the gain on dispositions was substantially reduced by net operating loss utilization which was offset by a decrease to the respective valuation allowances.

Other Comprehensive Income

For the first half of 2017, foreign currency translation positively impacted other comprehensive income by $15, primarily due to the strengthening of the U.S. dollar against the Brazilian real and Canadian dollar in the second quarter of 2017.

For the first half of 2016, other comprehensive income was flat, as the $1 positive impact of foreign currency translation was offset by $1 of amortization of prior service costs related to defined benefit pension and postretirement benefits.

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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Sales [1]:				
Epoxy, Phenolic and Coating Resins	$ 517	$ 613	$ 1,009	$ 1,188
Forest Products Resins	395	339	773	673
Total	$ 912	$ 952	$ 1,782	$ 1,861
Segment EBITDA:				
Epoxy, Phenolic and Coating Resins	$ 46	$ 83	$ 98	$ 166
Forest Products Resins	68	63	129	119
Corporate and Other	(14)	(16)	(32)	(33)
Total	$ 100	$ 130	$ 195	$ 252

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

Three Months Ended June 30, 2017 vs. Three Months Ended June 30, 2016 Segment Results

Following is an analysis of the percentage change in net sales by segment from the three months ended June 30, 2016 to the three months ended June 30, 2017:

	Volume	Price/Mix	Currency Translation	Impact of Dispositions	Total
Epoxy, Phenolic and Coating Resins	(1)%	3%	(2)%	(16)%	(16)%
Forest Products Resins	3 %	15%	(1)%	— %	17 %

Epoxy, Phenolic and Coating Resins

Net sales in the second quarter of 2017 decreased by $96, or 16%, when compared to the second quarter of 2016. The majority of the decrease is due to the disposition of our PAC business in the second quarter of 2016, which negatively impacted net sales by $98. The impact of foreign exchange translation negatively impacted net sales by $13, due primarily to the strengthening of the U.S. dollar against the euro and Chinese yuan in the second quarter of 2017 compared to the second quarter of 2016. Volumes negatively impacted net sales by $9, primarily due to volume decreases in our epoxy specialty business driven by a temporary destocking of wind blades in China, partially offset by volume growth in our base epoxy resins and oilfield businesses. Lastly, these decreases were partially offset by pricing, which positively impacted net sales by $24 due primarily to raw material price increases passed through to customers across many of our businesses, partially offset by competitive pressures in our epoxy specialty business.

Segment EBITDA in the second quarter of 2017 decreased by $37 to $46 compared to the second quarter of 2016. The impact of the disposition of our PAC business and HAI joint venture interest in the second quarter of 2016 contributed $15 to this decrease. The remaining decrease was primarily due to volume decreases and margin compression in our epoxy specialty business, as well as $4 of insurance recoveries received in the second quarter of 2016 in our versatic acids business that did not recur in the second quarter of 2017. These decreases were partially offset by improvements in our oilfield and base epoxy resins businesses, as both continue to recover from cyclical trough conditions.

Forest Products Resins

Net sales in the second quarter of 2017 increased by $56, or 17%, when compared to the second quarter of 2016. Volumes positively impacted net sales by $7, and were primarily driven by strong market demand in our North American formaldehyde business combined with the additional capacity from our new formaldehyde plants. Additionally, volumes increased in our North American forest products resins business due to modest growth in the U.S. housing market. These increases were partially offset by smaller volume decreases in our European and Latin American forest products resins businesses. Pricing positively impacted net sales by $53, which was primarily due to raw material price increases passed through to customers across many of our businesses. These increases were partially offset by foreign exchange translation, which negatively impacted net sales by $4, due largely to the strengthening of the U.S. dollar against the euro and the Canadian dollar, partially offset by the strengthening of the Brazilian real against the U.S. dollar in the second quarter of 2017 compared to the second quarter of 2016.

Segment EBITDA in the second quarter of 2017 increased by $5, to $68, compared to the second quarter of 2016. This increase was primarily due to the volume increases in our North American formaldehyde and forest product resins businesses discussed above, as well as continued cost efficiencies associated with our new North American formaldehyde plants.

Corporate and Other

Corporate and Other is primarily corporate, general and administrative expenses that are not allocated to the segments, such as shared service and administrative functions, unallocated foreign exchange gains and losses and legacy company costs not allocated to continuing segments. Corporate and Other charges in the second quarter of 2017 decreased by $2 compared to the second quarter of 2016 due primarily to lower incentive compensation accruals in 2017.

Six Months Ended June 30, 2017 vs. Six Months Ended June 30, 2016 Segment Results

Following is an analysis of the percentage change in net sales by segment from the six months ended June 30, 2016 to the six months ended June 30, 2017:

	Volume	Price/Mix	Currency Translation	Impact of Dispositions	Total
Epoxy, Phenolic and Coating Resins	—%	3%	(2)%	(16)%	(15)%
Forest Products Resins	5%	9%	1 %	— %	15 %

Epoxy, Phenolic and Coating Resins

Net sales in the first half of 2017 decreased by $179, or 15%, when compared to the first half of 2016. The majority of the decrease is due to the disposition of our PAC business in the second quarter of 2016, which negatively impacted net sales by $185. The impact of foreign exchange translation negatively impacted net sales by $20, due primarily to the strengthening of the U.S. dollar against the euro and Chinese yuan in the first half of 2017 compared to the first half of 2016. Volumes negatively impacted net sales by $4, primarily due to volume decreases in our epoxy specialty business driven by a temporary destocking of wind blades in China, largely offset by market driven volume increases in our phenolic resins business in Europe and China, continued volume recovery in our European versatic acids business and volume growth in our base epoxy resins and oilfield businesses. These decreases were partially offset by pricing, which positively impacted net sales by $30 due primarily to raw material price increases passed through to customers across many of our businesses, partially offset by competitive pressures in our epoxy specialty business.

Segment EBITDA in the first half of 2017 decreased by $68 to $98 compared to the first half of 2016. The impact of the disposition of our PAC business and HAI joint venture interest in the second quarter of 2016 contributed $30 to this decrease. The remaining decrease was primarily due to volume decreases and margin compression in our epoxy specialty business, as well as a Segment EBITDA impact of $9 related to insurance recoveries received in the first half of 2016 in our versatic acids business that did not recur in the first half of 2017. These decreases were partially offset by improvements in our oilfield and base epoxy resins businesses, as both continue to recover from cyclical trough conditions.

Forest Products Resins

Net sales in the first half of 2017 increased by $100, or 15%, when compared to the first half of 2016. Volumes positively impacted net sales by $34, and were primarily driven by strong market demand in our North American formaldehyde business combined with the additional capacity from our new formaldehyde plants. Additionally, volumes increased in our North American forest products resins business due to modest growth in the U.S. housing market. These increases were partially offset by smaller volume decreases in our European forest products resins business. Pricing positively impacted net sales by $60, which was primarily due to raw material price increases passed through to customers across many of our businesses. The impact of foreign exchange translation positively impacted net sales by $6, due largely to the strengthening of the Brazilian real against the U.S. dollar, partially offset by strengthening of the U.S. dollar against the euro in the first half of 2017 compared to the first half of 2016.

Segment EBITDA in the first half of 2017 increased by $10, to $129, compared to the first half of 2016. This increase was primarily due to the volume increases in our North American formaldehyde business discussed above, as well as continued cost efficiencies associated with our new North American formaldehyde plants.

Corporate and Other

Corporate and Other is primarily corporate, general and administrative expenses that are not allocated to the segments, such as shared service and administrative functions, unallocated foreign exchange gains and losses and legacy company costs not allocated to continuing segments. Corporate and Other charges in the first half of 2017 decreased by $1 compared to the first half of 2016 due primarily to lower incentive compensation accruals in 2017.

Reconciliation of Net (Loss) Income to Segment EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Reconciliation:				
Net (loss) income	$ (34)	$ 150	$ (76)	$ 106
Income tax (benefit) expense	(1)	17	7	24
Interest expense, net	82	80	165	159
Depreciation and amortization	28	36	56	71
Accelerated depreciation	—	60	—	106
EBITDA	$ 75	$ 343	$ 152	$ 466
Items not included in Segment EBITDA:				
Business realignment costs	$ 10	$ 42	$ 17	$ 45
Gain on dispositions	—	(240)	—	(240)
Realized and unrealized foreign currency gains	(1)	(11)	(2)	(9)
(Gain) loss on extinguishment of debt	—	(21)	3	(44)
Other	16	17	25	34
Total adjustments	25	(213)	43	(214)
Segment EBITDA	$ 100	$ 130	$ 195	$ 252
Segment EBITDA:				
Epoxy, Phenolic and Coating Resins	$ 46	$ 83	$ 98	$ 166
Forest Products Resins	68	63	129	119
Corporate and Other	(14)	(16)	(32)	(33)
Total	$ 100	$ 130	$ 195	$ 252

Items Not Included in Segment EBITDA

Not included in Segment EBITDA are certain non-cash items and other income and expenses. For the three and six months ended June 30, 2017 and 2016, these items primarily include expenses from retention programs and certain professional fees related to strategic projects. Business realignment costs for the three and six months ended June 30, 2017 primarily include costs related to certain in-process facility rationalizations and cost reduction programs. Business realignment costs for the three and six months ended June 30, 2016 primarily include costs related to the planned facility rationalization within the Epoxy, Phenolic and Coating Resins segment and costs related to certain in-process cost reduction programs.

Liquidity and Capital Resources

We are a highly leveraged company. Our primary sources of liquidity are cash flows generated from operations and availability under the ABL Facility. Our primary liquidity requirements are interest, working capital and capital expenditures.

At June 30, 2017, we had $3,699 of outstanding debt and $323 in liquidity consisting of the following:

- $110 of unrestricted cash and cash equivalents (of which $98 is maintained in foreign jurisdictions);
- $199 of borrowings available under our ABL Facility ($350 borrowing base less $119 of outstanding borrowings and $32 of outstanding letters of credit); and
- $14 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 June 30, 2017 and December 31, 2016 was $457 and $309, respectively. A summary of the components of our net working capital as of June 30, 2017 and December 31, 2016 is as follows:

	June 30, 2017	% of LTM Net Sales	December 31, 2016	% of LTM Net Sales (1)
Accounts receivable	$ 497	15 %	$ 390	12 %
Inventories	346	10 %	287	9 %
Accounts payable	(386)	(11)%	(368)	(11)%
Net working capital	$ 457	14 %	$ 309	10 %

(1) The percentage of LTM Net Sales at December 31, 2016 exclude net sales related to our PAC Business, which was sold on June 30, 2016.

The increase in net working capital of $148 from December 31, 2016 was primarily due to increases in accounts receivable of $107 and inventory of $59. Both of these increases were primarily the result of increased volumes in the second quarter of 2017 compared to the fourth quarter of 2016 due to market conditions and seasonality, as well as raw material price inflation. These increases to net working capital were partially offset by an increase in accounts payable of $18, largely related to raw material price inflation and the timing of vendor payments. To minimize the impact of seasonal changes in net working capital on cash flows, we continue to review inventory safety stock levels, focus on accelerating receivable collections by offering incentives to customers to encourage early payment or through the sale of receivables at a discount and negotiate with vendors to contractually extend payment terms whenever possible.

We periodically borrow from the ABL Facility to support our short-term liquidity requirements, particularly when net working capital requirements increase in response to the seasonality of our volumes in the summer months. As of June 30, 2017, there were $119 of outstanding borrowings under the ABL Facility.

2017 Refinancing Transactions

On February 8, 2017, we issued $485 aggregate principal amount of New First Lien Notes and $225 aggregate principal amount of New Senior Secured Notes. Upon the closing of these offerings, we used the net proceeds from these offerings, together with cash on our balance sheet, to redeem all of our outstanding 8.875% Senior Secured Notes due 2018 (the "Old Senior Secured Notes"), which occurred in March 2017.

In May 2017, we issued an additional $75 aggregate principal amount of New First Lien Notes at an issue price of 100.5%. These notes mature on February 1, 2022 and have substantially the same terms as the New First Lien Notes issued in February 2017. We used the net proceeds from these notes for general corporate purposes.

In December 2016, we amended and restated the ABL Facility, with modifications to, among other things, permit the refinancing of the Old Senior Secured Notes. In connection with the issuance of the new notes in February 2017, certain lenders under the ABL Facility provided extended revolving facility commitments in an aggregate principal amount of $350 with a maturity date of December 5, 2021 (subject to early maturity triggers), the existing commitments were terminated and the size of the ABL Facility was reduced from $400 to $350.

Short-Term Outlook

The following factors will impact cash flows for the remainder of 2017:

- **Interest and Income Taxes:** We expect cash outflows in 2017 related to interest payments on our debt of approximately $300, with the largest components being paid in the second and fourth quarters, and income tax payments between $15 and $25.

- **Capital Spending:** Capital spending in 2017 is expected to be between $100 and $110, a significant decrease from 2016 due to the completion of large strategic growth projects in 2016, as well as our recent divestitures and restructuring activities at certain facilities.

- **Working Capital:** In the first half of 2017, our net working capital increased by $148 due primarily to sequential volume increases. During the year, we expect an increase in the first half and a decrease in the second half, consistent with historical trends. Overall, we anticipate working capital to increase during 2017, as compared to 2016.

We plan to fund these outflows with available cash and cash equivalents, cash from operations, available borrowings under our ABL Facility, as well as other liquidity actions. Based on our liquidity position as of June 30, 2017, and projections of operating cash flows through the remainder of 2017 and into the first half of 2018, we expect to have sufficient liquidity to fund our operations for the next twelve months.

Historically, our liquidity position has been cyclical due to the timing of our interest payment obligations and seasonality of our volumes. We maintain normal commercial terms with our major vendors and customers. If certain of our commercial counterparties request changes to our terms it could put additional pressure on our liquidity position in certain times of the year.

Depending upon market, pricing and other conditions, including the current state of the high yield bond market, as well as our cash balances and available liquidity, we or our affiliates, may seek to acquire additional notes or other indebtedness of the Company through open market purchases, privately negotiated transactions, tender offers, redemption or otherwise, upon such terms and at such prices as we or our affiliates may determine (or as may be provided for in the indentures governing the notes), for cash or other consideration.

Sources and Uses of Cash

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

	Six Months Ended June 30,	
	2017	**2016**
(Uses) sources of cash:		
Operating activities	$ (195)	$ (150)
Investing activities	(52)	210
Financing activities	175	(116)
Effect of exchange rates on cash flow	3	—
Net change in cash and cash equivalents	$ (69)	$ (56)

Operating Activities

In the first half of 2017, operations used $195 of cash. Net loss of $76 included $65 of net non-cash expense items, consisting of depreciation and amortization of $56, amortization of deferred financing fees of $8, loss on debt extinguishment of $3 and unrealized foreign currency losses of $4, partially offset by gains on sale of assets of $2 and a deferred tax benefit of $2. Net working capital used $133, which was largely driven by increases in accounts receivable and inventories due primarily to volume increases related to market conditions and the seasonality of our businesses, as well as raw material price inflation. Changes in other assets and liabilities and income taxes payable provided $51 due to the timing of when items were expensed versus paid, which primarily included interest expense, employee retention programs, restructuring reserves, incentive compensation, pension plan contributions and taxes.

In the first half of 2016, operations used $150 of cash. Net income of $106 included $153 of net non-cash income items, primarily gains on dispositions of $240 related to the HAI and PAC business dispositions (see Notes 12 and 13 to the unaudited Condensed Consolidated Financial Statements). Also included in the non-cash income items was a gain on debt extinguishment of $44, unrealized foreign currency gains of $45 and other non-cash income items of $4. These items were partially offset by depreciation and amortization of $71, accelerated depreciation of $106 and $3 of deferred tax expense. Net working capital of $138, which was driven by increases in accounts receivable and inventories in the first half of 2016 due primarily to the seasonality of our businesses. Changes in other assets and liabilities provided $35 due to the timing of when items were expensed versus paid, which primarily included interest expense, employee retention programs, incentive compensation, pension plan contributions and taxes.

Investing Activities

In the first half of 2017, investing activities used $52 of cash, primarily driven by capital expenditures of $57, partially offset by net proceeds from the sale of assets of $4 and an increase in restricted cash of $1.

In the first half of 2016, investing activities provided $210 of cash, primarily driven by net cash proceeds of $281 related to the HAI and PAC business dispositions, as well as proceeds from other asset sales of $1. These items were partially offset by capital expenditures (including capitalized interest) of $62 and an increase in restricted cash of $10.

Financing Activities

In the first half of 2017, financing activities provided $175 of cash. Net short-term debt borrowings were $8 and net long-term debt borrowings were $191. Our long-term debt borrowings primarily consisted of $119 in borrowings under our ABL Facility, and the refinancing our Old Senior Secured Notes in February 2017 and the additional $75 aggregate principal amount of New First Lien Notes issued in May 2017.

In the first half of 2016, financing activities used $116 of cash. Net short-term debt repayments were $12 and net long-term debt repayments were $104. Our long-term debt repayments primarily consisted of $121 used to repurchase a portion of our Old Senior Secured Notes on the open market, partially offset by net borrowings under our ABL Facility in the first half of 2016.

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

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, most covenant defaults, events of bankruptcy and a change of control. 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 indentures that govern our 6.625% First-Priority Senior Secured Notes, 10.00% First Lien Notes, New First Lien Notes, New Senior Secured Notes and 9.00% Second-Priority Senior Secured Notes (the "Secured Indentures") contain an Adjusted 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 Adjusted EBITDA to Fixed Charges Ratio under the Secured Indentures is generally defined as the ratio of (a) Adjusted EBITDA to (b) net interest expense excluding the amortization or write-off of deferred financing costs, each measured on an LTM basis.

The 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) $35 and (b) 12.5% 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) Adjusted EBITDA minus non-financed capital expenditures and cash taxes to (b) debt service plus cash interest expense plus certain restricted payments, each measured on an LTM basis. At June 30, 2017, our availability under the ABL Facility exceeded such levels; therefore, the minimum fixed charge covenant ratio did not apply. As of June 30, 2017, we were in compliance with all covenants that govern the ABL Facility. We do not believe that a covenant default under the ABL Facility is reasonably likely to occur in the foreseeable future.

Adjusted 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. As we are highly leveraged, we believe that including the supplemental adjustments that are made to calculate Adjusted EBITDA provides additional information to investors about our ability to comply with our financial covenants and to obtain additional debt in the future. Adjusted EBITDA and Fixed Charges are not defined terms under U.S. GAAP. Adjusted 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 Secured Indentures should not be considered an alternative to interest expense.

Reconciliation of Net Loss to Adjusted EBITDA

The following table reconciles net income to EBITDA and Adjusted EBITDA, and calculates the ratio of Adjusted EBITDA to Fixed Charges as calculated under certain of our indentures for the period presented:

	June 30, 2017 LTM Period
Net loss	$ (221)
Income tax expense	20
Interest expense, net	317
Depreciation and amortization	117
Accelerated depreciation	24
EBITDA	257
Adjustments to EBITDA:	
Business realignment costs [1]	28
Realized and unrealized foreign currency gains	(5)
Gain on extinguishment of debt	(2)
Unrealized loss on pension and postretirement benefits [2]	34
Other [3]	73
Cost reduction programs savings [4]	17
Adjusted EBITDA	$ 402
Pro forma fixed charges [5]	$ 310
Ratio of Adjusted EBITDA to Fixed Charges [6]	1.30

(1) Primarily represents headcount reduction expenses and plant rationalization costs related to cost reduction programs, termination costs and other costs associated with business realignments, as well as environmental liabilities related to closed sites.

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

(3) Primarily includes employee retention program costs, certain professional fees related to strategic projects, business optimization expenses and management fees.

(4) 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 LTM period. The savings are calculated based on actual costs of exiting headcount and elimination or reduction of site costs.

(5) Reflects pro forma interest expense based on interest rates at June 30, 2017, as if the 2017 Refinancing Transactions had taken place at the beginning of the period.

(6) The Company's ability to incur additional indebtedness, among other actions, is restricted under the indentures governing certain notes, unless the Company has an Adjusted EBITDA to Fixed Charges ratio of 2.0 to 1.0. As of June 30, 2017, we did not satisfy this test. As a result, we are subject to restrictions on our ability to incur additional indebtedness and to make investments; however, there are exceptions to these restrictions, including exceptions that permit indebtedness under our ABL Facility (available borrowings of which were $199 at June 30, 2017).

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 six months of 2017 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, 2016.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, including the President and Chief Executive Officer and the Executive Vice President and 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 June 30, 2017. Based upon that evaluation, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were effective at June 30, 2017.

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

Item 1. Legal Proceedings

The Louisville Air Pollution Control District (the "District") has assessed the Company penalties totaling $296,000 associated with alleged violations of the District's air pollution laws and the Company's air permit in 2016 and 2017. The Company is actively cooperating with the District to resolve this matter.

Item 1A. Risk Factors

There have been no material changes during the first six months of 2017 in the risk factors that were included in our Annual Report on Form 10-K for the year ended December 31, 2016.

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

None.

Item 6. Exhibits

4.1	Second Supplemental Indenture, dated as of May 12, 2017, by and among Hexion Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee, related to the 10.375% First-Priority Senior Secured Notes due 2022 (filed as Exhibit 4.1 to our Form 8-K, filed on May 12, 2017).
10.1 †	Employment Agreement, dated June 12, 2017, by and between Hexion Inc. and Craig O. Morrison
10.2 †	Employment Agreement, by and between Hexion Inc. and Craig A. Rogerson
10.3 †	Long Term Incentive Agreement, by and between Hexion Inc. and Craig A. Rogerson
10.4	Additional Secured Party Consent, dated as of May 12, 2017, among Wilmington Trust, National Association, as authorized representative for the new secured parties, Wilmington Trust, National Association, as collateral agent, Wilmington Trust, National Association, as authorized representative for the notes obligations, Wilmington Trust, National Association, as authorized representative for the initial other first priority obligations, Hexion Inc. and subsidiaries of Hexion Inc. party thereto (filed as Exhibit 10.1 to our Form 8-K, filed on May 12, 2017).
10.5	Fifth Joinder and Supplement to Intercreditor Agreement, dated as of May 12, 2017, by and among JPMorgan Chase Bank, N.A., as intercreditor agent, JPMorgan Chase Bank, N.A., as senior-priority agent for the ABL secured parties, Wilmington Trust, National Association, as trustee and senior-priority agent for the existing first lien notes, Wilmington Trust, National Association, as senior-priority agent for the new notes, Wilmington Trust, National Association, as senior-priority agent for the 1.5 lien notes, Wilmington Trust Company, as trustee and second-priority agent for the existing second lien notes, Hexion LLC, Hexion Inc. and subsidiaries of Hexion Inc. party thereto (filed as Exhibit 10.2 to our Form 8-K, filed on May 12, 2017).
31.1	Rule 13a-14 Certifications:
	(a) Certificate of the Chief Executive Officer
	(b) Certificate of the 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.

Table of Contents

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: August 11, 2017

/s/ George F. Knight

George F. Knight

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Hexion Inc.
180 East Broad Street
Columbus OH 43215
hexion.com

June 12, 2017

Craig O. Morrison
c/o Hexion Inc.
180 East Broad Street
Columbus, Ohio 43215-3799

Dear Craig:

This letter agreement (this "Agreement") sets forth certain terms and conditions relating to your retirement from Hexion Inc., formally Borden Chemical, Inc., a New Jersey corporation (the "Company"). Capitalized terms used in this Agreement that are not otherwise defined shall have the meaning attributed to them in the Amended and Restated Employment Agreement between the Company and you, dated as of August 12, 2004 (the "Employment Agreement").

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Company and you hereby agree as follows:

1. Retirement.

(a) You shall remain continuously employed in active service through and including July 9, 2017 (the "Retirement Date"). Effective as of the Retirement Date and without further action by any person, your employment with the Company shall end and you shall be deemed to have relinquished any and all titles, positions and appointments with the Company, Hexion Holdings LLC ("Parent") or any of their respective subsidiaries or affiliates (collectively, the "Company Group"), whether as an officer, director, employee, consultant, agent, trustee or otherwise. You agree to execute such documents promptly as may be requested by the Company to evidence your separation from employment and cessation of service on the Retirement Date. The parties agree that the cessation of your employment is due to your voluntary resignation upon retirement.

(b) You shall be entitled to receive the following, provided that your receipt of the payments and benefits referenced in Sections 1(b)(iii) and (iv) below are subject to your satisfaction of the conditions in Section 1(d) hereof:

(i) continued payments of your Annual Base Salary through the Retirement Date;

(ii) prompt reimbursement of expenses incurred in the course of and for the purposes of your employment that have been submitted prior to, and are unpaid as of, the Retirement Date, or have been properly submitted within 30 days following the Retirement Date;

(iii) payment of your incentive bonus under Parent's 2017 Incentive Compensation Plan, as if you had remained employed through the payment date and subject to achievement of the applicable performance targets and other terms and conditions of the plan, such incentive bonus to be payable in 2018 in a lump sum

at the same time bonuses are generally paid to other incentive plan participants;

(iv) payment of the portion of your "Target Award" payable in July 2018 under Section 4(a) of the 2016 Cash-Based Long-Term Incentive Award Agreement between the Company and you, granted under Parent's Long-Term Cash Incentive Plan, as if you had remained employed through the payment date and subject to the other terms and conditions of the plan and your award agreement;

(v) the Health & Welfare Benefits and Retirement Benefits as set forth in the *Total Rewards Information* document prepared for and provided to you;

(vi) payment of your vested benefits under the Momentive Specialty Chemicals Inc. Supplemental Executive Retirement Plan, in accordance with the terms thereof (including, for the avoidance of doubt, employer contributions made thereunder in respect of fiscal 2017); and

(vii) distribution of your "Deferred Compensation Account" under the BHI Acquisition Corp. 2004 Deferred Compensation Plan, in accordance with the terms thereof, in a single lump sum payment in the form of 241,211 Common Units in Parent.

(c) You have received equity awards under the BHI Acquisition Corp. 2004 Stock Incentive Plan (the "2004 Plan") and the Momentive Performance Materials Holdings LLC 2011 Equity Incentive Plan (the "2011 Plan")**,** which are set forth on Schedule A hereto. With respect to those awards, we agree, subject to your satisfaction of the conditions in Section 1(d) hereof, that**:**

(i) notwithstanding anything to the contrary in your August 12, 2004 award agreement granted under the 2004 Plan, your vested option to acquire 603,028 Common Units in Parent granted pursuant thereto shall remain exercisable and expire on December 31, 2017 (*i.e.*, the existing expiration date of the option, as previously modified), subject to earlier cancellation under the 2004 Plan;

(ii) with respect to your option granted pursuant to your February 23, 2011 award agreement under the 2011 Plan**,** notwithstanding anything in such award agreement to the contrary:

(A) the unvested Tranche B and Tranche C portions of your option with respect to 290,500 Common Units in Parent granted pursuant thereto shall continue to be eligible to vest on the terms and conditions set forth in such award agreement, as if you had remained employed through the earlier of (i) the applicable vesting date and (ii) December 31. 2020; and

(B) the vested Tranche A portion of your option with respect to 290,501 Common Units in Parent granted pursuant thereto, as well as any unvested Tranche B and Tranche C portions of your option which may become vested, shall remain exercisable and shall expire on December 31, 2020, subject to earlier cancellation under the 2011 Equity Plan;

(iii) with respect to your option granted pursuant to your March 8, 2013 award agreement under the 2011 Plan, notwithstanding anything in such award agreement to the contrary, the vested portion of your option with respect to 778,454 Common Units in Parent granted pursuant thereto, shall remain

exercisable and shall expire on December 31, 2020, subject to earlier cancellation under the 2011 Equity Plan; and

(iv) your 96,834 unvested restricted deferred units granted pursuant to your February 23, 2011 award agreement under the 2011 Plan, as well as your 614,691 unvested restricted deferred units granted pursuant to your March 8, 2013 award agreement under the 2011 Plan, shall continue to be eligible to vest on the terms and conditions set forth in the respective award agreements, as if you had remained employed, through the earlier of (i) the applicable vesting date and (ii) December 31, 2020.

You currently hold 96,833 Common Units in Parent acquired from previously settled restricted deferred units, which shall remain unaffected by your separation from employment.

For the avoidance of doubt, the parties intend that the extended term of your options as described above shall be compliant with Section 409A of the U.S. Internal Revenue Code, as amended, and in no event shall such term be extended beyond the original expiration date of such option.

(d) Notwithstanding anything to the contrary herein, in order to receive the payments and benefits referenced in Sections 1(b)(iii), 1(b)(iv) and 1(c), you must:

(i) enter into this Agreement on June 12, 2017 and not revoke the Release (as defined in Section 4(a) hereof) prior to the expiration of the applicable Revocation Period (as defined in Section 4(f) hereof), such that the Release shall be effective and irrevocable no later than June 20, 2017; and

(ii) continue compliance with the terms and conditions set forth herein (including, without limitation, Section 2 hereof).

(e) You acknowledge and agree that, except as otherwise set forth in this Agreement, no member of the Company Group owes you any additional payments, compensation, remuneration, bonuses, incentive payments, benefits, profits interests, stock options, warrants, restricted stock units, other equity or equity-based awards, severance, reimbursement of expenses or commissions of any kind whatsoever, whether under contract or arising under applicable law or regulations.

(f) You acknowledge and agree that the continued payment of any and all payments and benefits to which you are entitled under this Agreement are conditional upon and subject to your compliance with the restrictive covenants set forth in Sections 5 and 6 of the Employment Agreement the "Restrictive Covenants"). In the event of your breach of any of the Restrictive Covenants, in addition to any other remedy which may be available at law or in equity, unless otherwise expressly provided by applicable law, the Company's obligation to make further payments under this Agreement shall cease upon the date of such breach. Notwithstanding any provision of this Agreement to the contrary, nothing contained herein is intended to, or shall be interpreted in a manner that does, limit or restrict you from exercising any legally protected whistleblower rights (including pursuant to Rule 21F under the Securities Exchange Act of 1934). You are hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (1) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (2) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (3) to your attorney in connection with a lawsuit for

retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

(g) The Employment Agreement shall terminate upon the Retirement Date, without any further force or effect, except that Sections 5, 6, 7, 8 and 10 of the Employment Agreement shall survive.

2. Agreements and Acknowledgements. As an inducement to the willingness of the Company to enter into this Agreement, and as a condition to the Company's agreements under Section 1 above, you hereby agree as follows:

(a) Communications. The Company and you shall cooperate with respect to communications you may have with employees, clients, trade associations, the press, media, analysts, or current or potential debt or equity investors in any member of the Company Group with respect to the confidential business of the Company Group, and your employment with (and separation from) the Company, including, without limitation, communications with respect to the terms, conditions and circumstances of this Agreement.

(b) Authority. Effective as of the Retirement Date, you shall have no authority to act on behalf of any member of the Company Group, and shall not hold yourself out as having such authority, enter into any agreement or incur any obligations on behalf of any member of the Company Group, commit any member of the Company Group in any manner or otherwise act in an executive or other decision-making capacity with respect to any member of the Company Group.

(c) Return of Property. As of the Retirement Date, you shall have delivered to the Company and retained no copies of any notes, memoranda, specifications, devices, formulas, records, files, lists, drawings, documents, models, equipment, property, computer, software or intellectual property relating to the businesses of the Company Group, in whatever form (including electronic), and all copies thereof, that were received or created by you while an employee of the Company Group (including, without limitation, Confidential Information and Inventions). You agree that all such material is and shall remain the property of the Company Group. You may nonetheless retain copies of documents relating to your compensation or your personal entitlements and obligations.

(d) Confidentiality. You agree that the terms of this Agreement are confidential and you agree not to disclose any information contained in this Agreement to anyone, other than to your lawyer, financial advisor or immediate family members (all of whom shall agree to keep the terms of this Agreement confidential), to enforce this Agreement, to respond to a valid subpoena or other legal process or as required by law; provided, that, to the extent permitted by law, you will notify the Company prior to any such disclosure.

3. No Effect on Other Rights and Obligations.

Except as otherwise specifically provided in this Agreement, nothing in this Agreement is intended to modify any rights to which you may be entitled under the by-laws and other constituent documents of any member of the Company Group.

4. Release of Claims.

(a) You, on your own behalf and on behalf of your descendants, dependents, heirs, executors and administrators and permitted assigns, past and present (the "Releasors"), in consideration

for the amounts payable and benefits to be provided to you hereunder, hereby unconditionally and irrevocably (subject to Section 4(f)) covenant not to sue or pursue any litigation against, and waive, release and discharge the Company, its direct and indirect parent, assigns, subsidiaries, affiliates (including, without limitation, Parent), predecessors and successors, and the past and present shareholders, partners, employees, officers, directors, members, representatives and agents of any of them (collectively, the "Releasees"), from any and all claims, demands, rights, judgments, defenses, actions, charges or causes of action whatsoever, of any and every kind and description, whether known or unknown, accrued or not accrued, that you ever had, now have or shall or may have or assert in the future, by reason of facts or omissions which have occurred on or prior to the date you sign this Agreement, against the Releasees (collectively, "Claims"), including, without limiting the generality of the foregoing, (x) any and all Claims relating to your employment with the Company Group or the separation therefrom or your service as an officer or director of any member of the Company Group or the separation from such service, including, without limiting the generality of the foregoing, any claims, demands, rights, judgments, defenses, actions, charges or causes of action related to employment or separation from employment or that arise out of or relate in any way to the Age Discrimination in Employment Act of 1967 ("ADEA," a law that prohibits discrimination on the basis of age), the National Labor Relations Act, the Civil Rights Act of 1991, the Americans With Disabilities Act of 1990, Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act of 1974, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act of 1938, the Sarbanes-Oxley Act of 2002, all as amended, and other Federal, state and local laws relating to discrimination on the basis of age, sex or other protected class, all claims under Federal, state or local laws for express or implied breach of contract, wrongful discharge, defamation, intentional infliction of emotional distress, whistleblowing, and any related claims for attorneys' fees and costs and (y) any and all Claims with respect to any equity, equity-based or other incentive compensation, other than any vested equity and other rights retained by you pursuant to Section 1(c) hereof (the "Release"); provided, however, that nothing herein shall release the Company from any of its obligations to you under this Agreement (including, without limitation, its obligation to pay the amounts and provide the benefits upon which this Release is conditioned), any rights you may have as a holder of Common Units in Parent under Parent's Limited Liability Agreement, any rights you may have under the Company's 401(k) plan, any rights you may have to indemnification under any insurance coverage or other benefits under any directors and officers insurance or similar policies, or any rights which may not be released as a matter of law.

(b) You further agree that this Section 4 may be pleaded as a full defense to any action, suit or other proceeding for Claims that is or may be initiated, prosecuted or maintained by you or your heirs or assigns. You understand and confirm that you are executing this Agreement voluntarily and knowingly, but that this Section 4 does not affect your right to claim otherwise under ADEA. In addition, you shall not be precluded by this Section 4 from filing a charge with any relevant Federal, state or local administrative agency, but you agree to waive your rights with respect to any monetary or other financial relief arising from any such administrative proceeding.

(c) In furtherance of the agreements set forth above, you hereby expressly waive and relinquish any and all rights under any applicable statute, doctrine or principle of law restricting the right of any person to release claims that such person does not know or suspect to exist at the time of executing a release, which claims, if known, may have materially affected such person's decision to give such a release. In connection with such waiver and relinquishment, you acknowledge that you are aware that you may hereafter discover claims presently unknown or unsuspected, or facts in addition to or different from those that you now know or believe to be true, with respect to the matters released herein. Nevertheless, it is your intention to fully, finally and forever release all such matters, and all claims relating thereto, that now exist, may exist or theretofore have existed, as specifically provided herein. The parties hereto acknowledge and agree that this waiver shall be an essential and material term of the release contained above. Nothing in this paragraph is intended to expand the scope of the release as specified herein.

(d) You represent and acknowledge that none of the Releasors have filed any complaint, charge, claim or proceeding, against any of the Releasees before any local, state or federal agency, court or other body (each individually, an "Action"). You represent that you are not aware of any basis on which such an Action could reasonably be instituted. You further acknowledge and agree that (i) you will not initiate or cause to be initiated on your behalf any Action and will not participate in any Action, in each case, except as required by law, and (ii) you waive any right you may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Action, including, without limitation, any Action conducted by the Equal Employment Opportunity Commission. Further, you understand that, by executing this Release, you will be limiting the availability of certain remedies that you may have against the Releasees and also limiting your ability to pursue certain claims against the Releasees.

(e) The Company's offer to you of this Agreement and the payments and benefits set forth herein are not intended as, and shall not be construed as, any admission of liability, wrongdoing or improper conduct by the Company. You represent and acknowledge that you have not filed or caused to be filed any charges, complaints, claims, actions, proceedings or demands for arbitration of any kind in any forum against any Releasee.

(f) You acknowledge that you have been offered and have waived a period of time of at least 21 days to consider whether to sign this Agreement, and the Company agrees that you may cancel the Release and this Section 4 at any time during the seven days following the date on which this Agreement has been signed by all parties to this Agreement (the "Revocation Period"). In order to cancel or revoke the Release and this Section 4, you must deliver to the Company's General Counsel written notice stating that you are canceling or revoking the Release and this Section 4 during the Revocation Period. If the Release and this Section 4 are timely cancelled or revoked, none of the provisions of this Section 4 shall be effective or enforceable, and the Company shall not be obligated to make the payments to you or to provide you with the benefits identified in Sections 1(b)(iii), 1(b)(iv) and 1(c). You acknowledge that, even if the Release and this Section 4 are cancelled or revoked by you, the provisions of Section 1(a) hereof shall remain in full force and effect.

(g) You acknowledge and agree that you have entered into this Agreement knowingly and willingly and have had ample opportunity to consider the terms and provisions of this Agreement, including this Section 4.

5. Miscellaneous.

(a) Amendment; No Waiver. (i) No provisions of this Agreement may be amended, modified, waived or discharged except by a written document signed by you and a duly authorized officer of the Company (other than you). (ii) The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No failure or delay by either party in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer of the Company as may be specifically designated by the Company's board of directors. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

(b) Section 409A of the Code. The parties intend that any amounts payable

hereunder comply with or are exempt from Section 409A of the Code ("Section 409A") (including under Treasury Regulation §§ 1.409A-1(b)(4) ("short-term deferrals") and (b)(9) ("separation pay plans," including the exceptions under subparagraph (iii) and subparagraph (v)(D)) and other applicable provisions of Treasury Regulation §§ 1.409A-1 through A-6). For purposes of Section 409A, each of the payments that may be made under this Agreement shall be deemed to be a separate payment for purposes of Section 409A. This Agreement shall be administered, interpreted and construed in a manner that does not result in the imposition of additional taxes, penalties or interest under Section 409A. The Company and you agree to negotiate in good faith to make amendments to the Agreement, as the parties mutually agree are necessary or desirable to avoid the imposition of taxes, penalties or interest under Section 409A. Notwithstanding the foregoing, the Company does not guarantee any particular tax effect, and you shall be solely responsible and liable for the satisfaction of all taxes, penalties and interest that may be imposed on or for the account of you in connection with the Agreement, as amended by this Amendment, (including any taxes, penalties and interest under Section 409A), and no member of the Company Group shall have any obligation to indemnify or otherwise hold you (or any beneficiary) harmless from any or all of such taxes, penalties or interest. With respect to the time of payments of any amounts under the Agreement that are "deferred compensation" subject to Section 409A, references in the Agreement to "separation from employment" (and substantially similar phrases) shall mean "separation from service" within the meaning of Section 409A. For the avoidance of doubt, it is intended that any expense reimbursement made to you hereunder shall be exempt from Section 409A. Notwithstanding the foregoing, if any expense reimbursement made hereunder shall be determined to be "deferred compensation" within the meaning of Section 409A, then (i) the amount of the indemnification payment or expense reimbursement during one taxable year shall not affect the amount of the expense reimbursement during any other taxable year, (ii) the expense reimbursement shall be made on or before the last day of your taxable year following the year in which the expense was incurred and (iii) the right to expense reimbursement hereunder shall not be subject to liquidation or exchange for another benefit. In addition, any reimbursements for COBRA coverage premiums described in this Agreement shall be paid to you as promptly as practicable, and in all events on or before the last day of the third taxable year of you following the taxable year of the Company in which your employment terminated.

(c) Withholding; Taxes. The Company may deduct and withhold from any amounts payable under this Agreement such Federal, state, local, or other taxes as are required or permitted to be withheld pursuant to any applicable law or regulation, as applicable.

(d) Assignment. (i) This Agreement is personal to you and without the prior written consent of the Company shall not be assignable by you, except for (A) the assignment by will or the laws of descent and distribution of any accrued pecuniary interest held by you, and (B) any assignment or transfer that may be permitted under the express terms of the applicable benefit plan or agreement. Any assignment in violation of this Agreement shall be void. (ii) This Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, successors and permitted assigns (including, without limitation, in the event of your death, your estate and heirs in the case of any payments due to you hereunder). (iii) You acknowledge and agree that all of your covenants and obligations to the Company, as well as the rights of the Company hereunder, shall run in favor of and shall be enforceable by the Company and any successor or assign to all or substantially all of the Company's business or assets.

(e) Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent by facsimile or sent, postage prepaid, by registered, certified or express mail or overnight courier service and shall be deemed given when so delivered by hand or facsimile, or if mailed, three days after mailing (one business day in the case of express mail or overnight courier service) to the parties at the following addresses or facsimiles (or at such other address for a party as shall be specified by like notice):

If to the Company:

Hexion Inc.
180 East Broad Street
Columbus, Ohio 43215-3799
Attention: General Counsel

If to you: To the most recent address listed on the Company's books and records.

(f) Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Any such determination pertaining to the Restrictive Covenants shall be addressed as per the severability provisions of the applicable documents. Upon such determination that any other term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

(g) Entire Agreement. This Agreement constitutes the entire agreement and understanding between the Company and you with respect to the subject matter hereof and supersedes all prior agreements and understandings (whether written or oral), between you and the Company, relating to such subject matter. None of the parties shall be liable or bound to any other party in any manner by any representations and warranties or covenants relating to such subject matter except as specifically set forth herein.

(h) Governing Law; No Construction against Drafter. This Agreement shall be deemed to be made in the State of Delaware, and the validity, interpretation, construction, and performance of this Agreement in all respects shall be governed by the laws of the State of Delaware, without regard to its principles of conflicts of law. No provision of this Agreement or any related document will be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or drafted such provision.

(i) Headings and References. The headings of this Agreement are inserted for convenience only and neither constitute a part of this Agreement nor affect in any way the meaning or interpretation of this Agreement. When a reference in this Agreement is made to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated.

(j) 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.

[Remainder of this page intentionally left blank.]

Please indicate your understanding and acceptance of this Agreement by executing below on both copies, and retaining one fully executed original for your files and returning one fully executed original to me.

Craig, thank you again for all of your years of dedicated service and best wishes to you and your family.

Very truly yours,

HEXION INC.

By: /s/ John P. Auletto
John P. Auletto
Executive Vice President, Human Resources

I hereby accept the terms of this Agreement
and agree to abide by the provisions hereof:

/s/ Craig O. Morrison
Craig O. Morrison

Date: June 12, 2017

Schedule A
EQUITY AWARDS

Equity Plans # of Units

BHI Acquisition Corp.
2004 Stock Incentive Plan
Nonqualified Stock Options

Tranche A Options (100% Vested) *603,028*

Options are exercisable at $6.22 per unit and will expire on December 31, 2017, subject to earlier cancellation under the 2004 .

Momentive Performance Materials Holdings LLC
2011 Equity Incentive Plan
Grant Date: February 23, 2011
Nonqualified Stock Options

Tranche B & C Options (0% Vested) *290,500*

*The **Tranche B Options** vest upon the earlier to occur of (i) the two-year anniversary of the date that upon which or following a Realization Event a Common Unit Value of $10.00 is met or exceeded; or (ii) the six-month anniversary of the date upon which or following a Complete Change in Control a Common Unit Value of $10.00 is met or exceeded.*

*The **Tranche C Options** vest upon the earlier to occur of (i) the two-year anniversary of the date that upon which or following a Realization Event a Common Unit Value of $15.00 is met or exceeded; or (ii) the six-month anniversary of the date upon which or following a Complete Change in Control a Common Unit Value of $15.00 is met or exceeded.*

To the extend vested, the Options are exercisable at $4.85 per unit and will expire on December 31, 2020, subject to earlier cancellation under the 2011 Equity Plan.

Momentive Performance Materials Holdings LLC
2011 Equity Incentive Plan
Grant Date: February 23, 2011
Nonqualified Stock Options

Tranche A Options (100% Vested) *290,501*

Options are exercisable at $4.85 per unit and will expire on December 31, 2020, subject to earlier cancellation under the 2011 Equity Plan.

Equity Plans # of Units

Momentive Performance Materials Holdings LLC

2011 Equity Incentive Plan

Grant Date: March 8, 2013

Nonqualified Stock Options

Tranche A Options (100% Vested) *778,454*

Options are exercisable at $1.42 per unit and will expire on December 31, 2020, subject to earlier cancellation under the 2011 Equity Plan.

Momentive Performance Materials Holdings LLC

2011 Equity Incentive Plan

Grant Date: February 23, 2011

Restricted Deferred Units

Tranche B & C RDU's (0% Vested) *96,834*

*The **Tranche B RDU's** vest upon the earlier to occur of (i) the two-year anniversary of the date that upon which or following a Realization Event a Common Unit Value of $10.00 is met or exceeded; or (ii) the six-month anniversary of the date upon which or following a Complete Change in Control a Common Unit Value of $10.00 is met or exceeded.*

*The **Tranche C RDU's** vest upon the earlier to occur of (i) the two-year anniversary of the date that upon which or following a Realization Event a Common Unit Value of $15.00 is met or exceeded; or (ii) the six-month anniversary of the date upon which or following a Complete Change in Control a Common Unit Value of $15.00 is met or exceeded.*

RDU's shall continue to be eligible to vest on the terms and conditions set forth in the respective award agreement as if you had remained employed through the earlier of (i) the applicable vesting date and (ii) December 31, 2020.

Equity Plans # of Units

Momentive Performance Materials Holdings LLC

2011 Equity Incentive Plan

Grant Date: March 8, 2013

Restricted Deferred Units

Tranche A RDU's (0% Vested) *614,691*

*The **Tranche A RDU's** vest upon the earlier to occur of (i) the one-year anniversary of the date that upon which or following a Realization Event a Common Unit Value of $3.50 is met or exceeded; or (ii) the six-month anniversary of the date upon which or following a Complete Change in Control a Common Unit Value of $3.50 is met or exceeded.*

RDU's shall continue to be eligible to vest on the terms and conditions set forth in the respective award agreement as if you had remained employed through the earlier of (i) the applicable vesting date and (ii) December 31, 2020.

Momentive Performance Materials Holdings LLC

2011 Equity Incentive Plan

Grant Date: February 23, 2011

Common Units

Common Units (100% Owned) *96,833*

The Common Units were previously delivered in satisfaction of the Tranche A RDU's that vested on December 31 of 2011, 2012, 2013 and 2014. A Unit Certificate evidencing this ownership interest was previously issued.

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement"), entered into on June 12, 2017, is made by and among, on the one hand, Craig Rogerson (the "Executive"), and on the other hand, Hexion Inc., a New Jersey corporation (the "Company"), and Hexion Holdings LLC, a Delaware limited liability company and the ultimate indirect parent of the Company (the "Parent").

RECITALS

A. The Executive shall commence employment with the Company on a date mutually agreed between the parties as the commencement of the Executive's employment, which the parties expect to be on or about July 10, 2017 (the actual commencement date, the "Effective Date").

B. The Company and the Executive desire to enter into this Agreement to assure the Company of the exclusive services of the Executive and to set forth the rights and duties of the parties hereto.

C. This Agreement is intended to supersede any prior agreements or understandings, whether formal or informal, between the Executive and the Company or any of its Affiliates (as defined below).

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the parties hereto agree as follows:

1. Certain Definitions.

(a) "Action" shall have the meaning set forth in Section 10.

(b) "Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person, where "control" shall have the meaning given such term under Rule 405 of the Securities Act of 1933, as amended.

(c) "Agreement" shall have the meaning set forth in the preamble hereto.

(d) "Annual Base Salary" shall have the meaning set forth in Section 3(a).

(e) "Annual Bonus" shall have the meaning set forth in Section 3(b).

(f) "Apollo" means each investment fund or account managed by Apollo Management Holdings, L.P., or any of its Affiliates, that has any direct or indirect ownership interest in the Parent.

(g) "Board" shall mean the Board of Directors of the Company.

(h) The Company shall have "Cause" to terminate the Executive's employment pursuant to Section 4(a)(iii) hereunder upon (i) the Executive's conviction of, or plea of guilty or nolo

contendere to, any felony or other crime involving either theft, fraud, or a breach of the Executive's duty of loyalty with respect to the Company or any Affiliates thereof, or any of its or their customers or suppliers, (ii) the Executive's repeated failure to perform duties as reasonably directed by the Board (other than as a consequence of Disability) after written notice thereof and failure to cure within ten (10) days (if curable), (iii) the Executive's fraud, misappropriation, embezzlement, or misuse of funds or property belonging to the Company or any of its Affiliates, (iv) the Executive's violation of the written policies of the Company or any of its subsidiaries or Affiliates or other misconduct in connection with the performance of his duties that in either case results in, or could reasonably be expected to result in, material injury to the Company or any of its Affiliates after written notice thereof and failure to cure within ten (10) days (if curable), (v) the Executive's breach of any material provision of this Agreement not covered by clause (vi) below after written notice thereof and failure to cure within ten (10) days (if curable), or (vi) the Executive's breach of the confidentiality or non-disparagement provisions (excluding unintentional breaches that are cured within ten (10) days after the Executive becomes aware of such breaches, if curable) or the non-competition or non-solicitation provisions to which the Executive is subject, including without limitation Sections 6 and 7 hereof.

(i) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(j) "Company" shall have the meaning set forth in the preamble hereto.

(k) "Confidential Information" shall have the meaning set forth in Section 7(a).

(l) "Date of Termination" shall mean (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated pursuant to Section 4(a)(ii)-(vi), the date specified or otherwise effective pursuant to Section 4(b), or (iii) if the Executive's employment terminates upon expiration of the Term, the last day of the Term.

(m) "Deemed Termination for Cause" shall mean an involuntary termination of the Executive's employment by the Company following the expiration of the Term at a time when Cause then exists (assuming solely for this purpose, and for no other purpose hereunder, that the Term had continued through the date of such termination).

(n) "Disability" shall mean the failure of Executive, with or without a reasonable accommodation, to perform the essential functions of his job as a result of physical or mental incapacity for 90 days during any 180-consecutive-calendar-day period.

(o) "Executive" shall have the meaning set forth in the preamble hereto.

(p) The Executive shall have "Good Reason" to resign from his employment pursuant to Section 4(a)(v) in the event that any of the following actions are taken by the Company or any of its subsidiaries without his express written consent: (i) a material reduction of the Executive's duties and responsibilities, or (ii) any material breach by the Company of any term or provision of this Agreement not covered by clause (i) above; provided, that no such event shall constitute Good Reason unless and until the Executive shall have provided the Board with written notice thereof no

later than thirty (30) days following the initial occurrence of such event and the Company shall have failed to fully remedy such event within thirty (30) days following receipt of such notice, and the Executive shall have terminated his employment with the Company promptly following the expiration of such remedial period.

(q) "Invention" shall have the meaning set forth in Section 7(c).

(r) "Notice of Termination" shall have the meaning set forth in Section 4(b).

(s) "Parent" shall have the meaning set forth in the preamble hereto.

(t) "Person" shall mean an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

(u) "Proprietary Rights" shall have the meaning set forth in Section 7(c).

(v) "Target Bonus" shall have the meaning set forth in Section 3(b).

(w) "Term" shall have the meaning set forth in Section 2(b).

2. Employment.

(a) In General. The Company shall continue to employ the Executive, and the Executive shall continue in the employ of the Company, for the period set forth in Section 2(b), in the position set forth in Section 2(c), and upon the other terms and conditions herein provided.

(b) Term of Employment. The term of employment under this Agreement (the "Term") shall be for the period beginning on the Effective Date and ending on December 31, 2020, unless earlier terminated as provided in Section 4.

(c) Position and Duties.

(i) During the Term, the Executive shall serve as the Chief Executive Officer of the Company and shall serve as a member, and the Chairman, of the Board and of the board of managers of the Parent, with responsibilities, duties, and authority customary for such positions. The Executive shall also serve as an officer and/or director of one or more Affiliates of the Company as requested by the Board. Except as otherwise provided herein, the Executive shall not be entitled to any additional compensation for his service as a member of the Board or other positions or titles that he may hold with any Affiliate of the Company to the extent that he is so appointed. The Executive shall report to the Board. The Executive agrees to observe and comply with the Company's rules and policies as adopted from time to time by the Company. The Executive shall devote his full business time, skill, attention, and best efforts to the performance of his duties hereunder; provided, however, that the Executive shall be entitled to (A) serve on civic, charitable, and religious boards, on the board of directors of each of PPL Corporation, the Society of Chemical Industry, and

the American Chemistry Council, and on the advisory board of the Michigan State University Department of Chemical Engineering & Materials Science (MSU CHEM), and (B) manage the Executive's personal and family investments, in each case, to the extent that such activities do not materially interfere with the performance of the Executive's duties and responsibilities hereunder are not in conflict with the business interests of the Company or its Affiliates, and do not otherwise compete with the business of the Company or its Affiliates.

(ii) The Executive's employment shall initially be principally based at the Company's current headquarters in Columbus, Ohio, but the Executive's principal place of employment may be changed from time to time in the future to reflect changes in the Company's business and primary business activities. The Executive shall perform his duties and responsibilities to the Company at such principal place of employment and at such other location(s) to which the Company may reasonably require the Executive to travel for Company business purposes.

3. Compensation and Related Matters.

(a) Annual Base Salary. During the Term, the Executive shall receive a base salary at a rate of one million dollars ($1,000,000) per annum, which shall be paid in accordance with the customary payroll practices of the Company (the "Annual Base Salary"). The Annual Base Salary shall be subject to annual review for increase by the Board in its discretion.

(b) Annual Bonus. With respect to each calendar year that ends during the Term, the Executive shall be eligible to receive an annual cash bonus (the "Annual Bonus"), with a target Annual Bonus amount equal to one hundred percent (100%) of the Annual Base Salary (the "Target Bonus"). The Executive's actual Annual Bonus for a given year, if any, shall be determined on the basis of the Executive's and/or the Company's attainment of objective financial and/or other subjective or objective criteria established by the Board and communicated to the Executive at the beginning of such year. Notwithstanding the foregoing, provided that the Effective Date occurs on or prior to July 10, 2017, the Executive's Annual Bonus for the 2017 calendar year shall be no less than the Target Bonus. Each Annual Bonus shall be paid on such date as is determined by the Board, but in any event it is expected that each year's Annual Bonus shall be paid during the first quarter of the following calendar year. Notwithstanding the foregoing, no Annual Bonus shall be payable with respect to any calendar year unless the Executive remains continuously employed with the Company on the date of payment.

(c) Long-Term Incentive Compensation. The Executive shall be entitled to participate in a long-term incentive compensation program in accordance with terms to be mutually agreed and set forth in a Long-Term Incentive Compensation Award Agreement between the Company and the Executive and as in effect from time to time.

(d) Benefits. During the Term, the Executive shall be entitled to participate in the employee benefit plans, programs, and arrangements of the Company, including vacation, as are generally applicable to senior executives of the Company in accordance with the terms and conditions of such plans.

(e) Business Expenses.

(i) During the Term, the Company shall pay directly, or reimburse the Executive for, all reasonable travel and other business expenses incurred by him in the performance of his duties to the Company, in accordance with the Company's expense reimbursement policies and procedures.

(ii) In addition, the Executive may commute from his current principal residence for each work week for a period of time following the Effective Date, and the Company shall (x) pay directly, or reimburse him for, his reasonable commuting costs (up to $200,000 per year) and (y) provide him with a reasonable apartment in the Columbus, Ohio, area (at a cost to the Company of up to $36,000 per year). In the event that any of the payments or reimbursements provided to Executive or on his behalf pursuant this paragraph (the "Commuting and Housing Amounts") are considered taxable income to Executive, the Company shall pay Executive an additional amount (the "Tax Reimbursement") such that, after Executive pays all income and employment taxes (other than any penalties and interest) on the Commuting and Housing Amounts and on the Tax Reimbursement, Executive is left with a net after-tax amount equal to the Commuting and Housing Amounts.

(iii) Upon Executive's relocation to the Columbus area, Executive will be entitled to customary reimbursement of reasonable expenses related to such relocation per Company policy.

4. Termination. The Executive's employment hereunder, and the Term of this Agreement, may be terminated prior to December 31, 2020, by the Company or the Executive, as applicable, without any breach of this Agreement only under the circumstances set forth in Section 4(a) below. For the avoidance of doubt, to the extent that the Executive's employment with the Company continues beyond the expiration of the Term, the Executive will continue as an "at will" employee, such that either party may terminate the Executive's employment at any time, for any reason or no reason, upon two (2) weeks' notice; provided, however, that the Company may terminate the Executive as a Deemed Termination for Cause immediately upon notice.

(a) Circumstances.

(i) Death. The Executive's employment hereunder, and the Term of this Agreement, shall terminate upon his death.

(ii) Disability. If the Executive has incurred a Disability, the Company may give the Executive written notice of its intention to terminate the Executive's employment. In that event, the Executive's employment with the Company, and the Term of this Agreement, shall terminate effective on the date specified in such notice.

(iii) Termination with Cause. The Company may terminate the Executive's employment, and the Term of this Agreement, with Cause.

(iv) Termination without Cause. The Company may terminate the Executive's employment, and the Term of this Agreement, without Cause (and not on account of Disability).

(v) Resignation with Good Reason. The Executive may terminate his employment, and the Term of this Agreement, with Good Reason.

(vi) Resignation without Good Reason. The Executive may terminate his employment, and the Term of this Agreement, without Good Reason upon not less than thirty (30) days' advance written notice to the Board.

(b) Notice of Termination. Any termination of the Executive's employment, and the Term of this Agreement, prior to December 31, 2020, by the Company or by the Executive under this Section 4 (other than termination pursuant to Section 4(a)(i)) shall be communicated by a written notice to the other party hereto (i) indicating the specific termination provision in this Agreement relied upon, (ii) except with respect to a termination pursuant to Section 4(a)(iv) or (vi), setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) specifying a Date of Termination (a "Notice of Termination"). If the Company delivers a Notice of Termination under Section 4(a)(iii) or 4(a)(iv), the Date of Termination shall be, in the Company's sole discretion, the date on which the Executive receives such notice or any subsequent date selected by the Company. If the Executive delivers a Notice of Termination under Section 4(a)(v) or 4(a)(vi), the Date of Termination shall be at least thirty (30) days following the date of such notice; provided, however, that the Company may, in its sole discretion, accelerate the Date of Termination to any date that occurs following the Company's receipt of such notice, without changing the characterization of such termination as voluntary, even if such date is prior to the date specified in such notice. The failure by the Company or the Executive to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Cause or Good Reason shall not waive any right of the Company or the Executive hereunder or preclude the Company or the Executive from asserting such fact or circumstance in enforcing the Company's or the Executive's rights hereunder.

(c) Termination of All Positions. Upon termination of the Executive's employment for any reason, the Term of this Agreement shall end, the Executive shall be deemed to have resigned, as of the Date of Termination or such other date requested by the Company, from all positions and offices that the Executive then holds with the Company and its Affiliates.

5. Company Obligations upon Termination of Employment.

(a) In General. Subject to Section 11(a), upon termination of the Executive's employment, and the Term of this Agreement, for any reason prior to December 31, 2020, the Executive (or the Executive's estate) shall be entitled to receive (i) any amount of the Executive's Annual Base Salary earned through the Date of Termination and not theretofore paid, (ii) any earned but theretofore unpaid Annual Bonus for the year prior to the year in which the Date of Termination occurs, (iii) any expenses incurred through the Date of Termination that are owed to the Executive under Section 3(f), and (iv) any amount arising from the Executive's participation in, or benefits under, any employee benefit plans, programs, or arrangements under Section 3(d) (other than

severance plans, programs, or arrangements), which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs, or arrangements including, where applicable, any death and disability benefits (the "Accrued Obligations"). Notwithstanding anything to the contrary, upon a Termination with Cause, the Accrued Obligations shall not include the amount set forth in clause (ii) of the preceding sentence.

(b) Termination without Cause, Resignation with Good Reason. Subject to Section 11(a) and subject to the Executive's continued compliance with the covenants contained in Sections 6 and 7, if the Company terminates the Executive's employment without Cause pursuant to Section 4(a)(iv), or the Executive resigns from his employment with Good Reason pursuant to Section 4(a)(v), in either case prior to December 31, 2020, the Company shall, in addition to satisfying the Accrued Obligations:

(i) pay the Executive a cash severance amount equal to 1.5 times the sum of (A) the Annual Base Salary and (B) the Target Bonus, such amount to be paid in substantially equal installments in accordance with the Company's customary payroll practices during the period beginning on the Date of Termination and ending on the eighteen (18) month anniversary of the Date of Termination (the "Severance Payment");

(ii) if continued coverage under the Company's health and welfare plans is timely elected by the Executive, payment of any COBRA premiums from the Date of Termination until the earlier of (x) the eighteen (18) month anniversary of the Date of Termination and (y) the first date that the Executive is no longer eligible for COBRA (the "COBRA Payment");

provided, however, that the installment payments of the Severance Payment and the COBRA Payment payable pursuant to this Section 5(b) shall commence on the first payroll period following the effective date of the Release (as defined below), and the initial installment shall include a lump-sum payment of all amounts accrued under this Section 5(d) from the Date of Termination through the date of such initial payment; and

(iii) continue to pay the Executive pursuant to his Long-Term Incentive Compensation Award Agreement as set forth therein.

(c) Conditions to Receiving Severance Benefits. Notwithstanding anything herein to the contrary, the amounts payable to the Executive under Section 5(b), other than the Accrued Obligations, shall be contingent upon and subject to (A) the Executive's execution and non-revocation of a general waiver and release of claims agreement in the Company's customary form (the "Release") and the expiration of any applicable revocation period on or prior to the sixtieth (60th) day following the Date of Termination and (B) the Executive's continued compliance with the covenants set forth in Sections 6 and 7 below.

6. Non-Competition; Non-Solicitation; Non-Hire.

(a) The Executive shall not, at any time during the Executive's employment with the Company (whether during or after the Term) or during the twelve (12) month period following the termination thereof for any reason (the "Restricted Period"), 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 Parent or direct or indirect subsidiary, including the Company. Notwithstanding the foregoing, the Executive 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 (5%) of the outstanding interest in such business;

(b) The Executive shall not, at any time during the Restricted Period, directly or indirectly (i) solicit, induce, or attempt to solicit or induce any officer, director, employee, or independent contractor of the Parent or any of its direct or indirect subsidiaries, including the Company, to terminate his relationship with, or to leave the employ or service of, the Parent or any such subsidiary, or to interfere in any way with the relationship between the Parent or any such subsidiary, 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 (6) months after such individual's relationship (whether as an officer, director, employee, or consultant) with the Parent or such subsidiary has ended, or (iii) induce or attempt to induce any customer, supplier, prospect, licensee, or other business relation of the Parent or any of its direct or indirect subsidiaries to cease doing business with the Parent or such subsidiary, or in any way interfere with the relationship between any such customer, supplier, prospect, licensee, or business relation, on the one hand, and the Parent or such subsidiary, on the other hand.

(c) In the event that the terms of this Section 6 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.

7. Nondisclosure of Confidential Information; Non-disparagement; Intellectual Property.

(a) Nondisclosure of Confidential Information; Return of Property. Except as required in the faithful performance of the Executive's employment duties to the Company, during or after the Executive's employment with the Company, in perpetuity, the Executive shall maintain in confidence and shall not directly or indirectly use, disseminate, disclose, or publish, or use for the Executive'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 Executive 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 Executive's termination of employment for any reason, the Executive 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 Executive's possession. The Executive may nonetheless retain copies of documents relating to the Executive's compensation, the Executive's personal entitlements and obligations, the Executive's rolodex (and electronic equivalents), and the Executive's cell phone number. The Executive 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.

(b) Non-Disparagement. The Executive shall not, at any time during or after the Executive's employment 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 Executive's truthful responses to legal process or inquiry by a governmental authority.

(c) Intellectual Property Rights.

(i) The Executive agrees that the results and proceeds of the Executive'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 Executive, 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 Executive 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 Executive hereby irrevocably assigns and agrees to assign any and all of the Executive'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 Executive whatsoever. As to any Invention that the Executive is required to assign, the Executive shall promptly and fully disclose to the Company all information known to the Executive concerning such Invention. The Executive hereby waives and quitclaims to the Company any and all claims, of any nature whatsoever, that the Executive now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

(ii) The Executive agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, the Executive 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 Executive has any Proprietary Rights in the Inventions that cannot be assigned in the manner described above, the Executive unconditionally and irrevocably waives the enforcement of such Proprietary Rights. This Section 7(b) 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 Executive's employment with the Company. The Executive further agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, the Executive 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 Executive 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 Executive shall execute, verify, and deliver assignments of such Proprietary Rights to the Company or its designees. The Executive'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 Executive's employment with the Company.

(iii) Notwithstanding the foregoing, the Executive 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 (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (2) 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 Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Company's trade secrets to the Executive's attorney and use the trade secret information in the court proceeding if the Executive (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(d) Notwithstanding anything herein to the contrary, or in any agreement or communication between the Company and the Executive, (A) the confidentiality and nondisclosure obligations herein shall not prohibit or restrict the Executive from initiating communications directly with, or responding to any inquiry from, or providing testimony before, the SEC, 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 Executive for engaging in the types of communications described in (A) above.

(e) As used in this Section 7, the term "Company" shall include Parent, the Company, and any direct or indirect subsidiaries thereof or any successors thereto.

(f) The Executive's obligations pursuant to this Section 7 shall continue to apply following any period of continued employment at-will following the expiration of the Term.

8. Injunctive Relief. The Executive recognizes and acknowledges that a breach of any of the covenants contained in Sections 6 and 7 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 Executive agrees that in the event of a breach of any of the covenants contained in Sections 6 and 7, 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.

9. Indemnification. During the Executive's employment and service as a director or officer (or both) and at all times thereafter during which the Executive may be subject to liability, the Executive shall be entitled to indemnification set forth in the Company's organizational documents to the maximum extent allowed under the laws of the State of New Jersey and he shall be entitled to the protection of any insurance policies that the Company may elect to maintain generally for the benefit of its directors and officers against all covered costs, charges, and expenses incurred or sustained by him in connection with any action, suit, or proceeding to which he may be made a party by reason of his being or having been a director, officer, or employee of the Company or any of its subsidiaries (other than any dispute, claim, or controversy arising under or relating to this Agreement). Notwithstanding anything to the contrary herein, the Executive's rights under this Section 9 shall survive the termination of his employment for any reason and the expiration of this Agreement for any reason.

10. Cooperation. The Executive agrees that during and after his employment with the Company, the Executive will assist the Company and its Affiliates in the defense of any claims or potential claims that may be made or threatened to be made against the Company or any of its Affiliates in any action, suit, or proceeding, whether civil, criminal, administrative, investigative, or otherwise, that are not adverse to the Executive (each, an "Action"), and will assist the Company and its Affiliates in the prosecution of any claims that may be made by the Company or any of its Affiliates in any Action, to the extent that such claims may relate to the Executive's employment or the period of the Executive's employment by the Company and its Affiliates. The Executive agrees, unless precluded by law, to promptly inform the Company if the Executive is asked to participate (or otherwise become involved) in any such Action. The Executive also agrees, unless precluded by law, to promptly inform the Company if the Executive is asked to assist in any investigation (whether governmental or otherwise) of the Company or any of its Affiliates (or their actions) to the extent that such investigation may relate to the Executive's employment or the period of the Executive's

employment by the Company, regardless of whether a lawsuit has then been filed against the Company or any of its Affiliates with respect to such investigation. The Company or one of its Affiliates shall reimburse the Executive for all of the Executive's reasonable out-of-pocket expenses and will compensate the Executive at a reasonable hourly rate for his time associated with such cooperation following his Date of Termination.

11. Section 409A of the Code.

(a) General. The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Code and the Department of Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines that any amounts payable hereunder will be taxable currently to the Executive under Section 409A(a)(1)(A) of the Code and related Department of Treasury guidance, the Company and the Executive shall cooperate in good faith to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that they mutually determine to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement, and to avoid less-favorable accounting or tax consequences for the Company, and/or (ii) take such other actions as mutually determined to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A of the Code or to comply with the requirements of Section 409A of the Code and thereby avoid the application of penalty taxes thereunder; provided, however, that this Section 11(a) does not create an obligation on the part of the Company to modify this Agreement in a manner that would alter the economic agreement intended by the parties and does not guarantee that the amounts payable hereunder will not be subject to interest or penalties under Section 409A, and in no event whatsoever shall the Company or any of its Affiliates be liable for any additional tax, interest, or penalties that may be imposed on the Executive as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code.

(b) Separation from Service under Section 409A. Notwithstanding any provision to the contrary in this Agreement, (i) no amount payable pursuant to Section 5 that constitutes "deferred compensation" subject to Section 409A of the Code that is payable upon a termination of employment hereunder shall be paid unless the termination of the Executive's employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) if the Executive is deemed at the time of his separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent that delayed commencement of any portion of the termination benefits to which the Executive is entitled under this Agreement (after taking into account all exclusions applicable to such termination benefits under Section 409A of the Code), including, without limitation, any portion of the additional compensation awarded pursuant to Section 5, is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Executive's termination benefits shall not be provided to the Executive prior to the earlier of (A) the expiration of the six-month period measured from the date of the Executive's "separation from service" with the Company (as

such term is defined in the Department of Treasury Regulations issued under Section 409A of the Code) and (B) the date of the Executive's death; provided, that upon the earlier of such dates, all payments deferred pursuant to this Section 11(b)(ii) shall be paid to the Executive in a lump sum, and any remaining payments due under this Agreement shall be paid as otherwise provided herein; (iii) the determination of whether the Executive is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his separation from service shall be made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including, without limitation, Section 1.409A-1(i) of the Department of Treasury Regulations and any successor provision thereto); (iv) for purposes of Section 409A of the Code, the Executive's right to receive installment payments pursuant to Section 5 shall be treated as a right to receive a series of separate and distinct payments; and (v) to the extent that any reimbursement of expenses or in-kind benefits constitutes "deferred compensation" under Section 409A, such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year.

12. Assignment and Successors. The Company may assign its rights and obligations under this Agreement to any entity, including any successor to all or substantially all the assets of the Company, by merger or otherwise, and may assign or encumber this Agreement and its rights hereunder as security for indebtedness of the Company and its Affiliates. The Executive may not assign his rights or obligations under this Agreement to any individual or entity. This Agreement shall be binding upon and inure to the benefit of the Company and the Executive and their respective successors, assigns, personnel, legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. In the event of the Executive's death during or following a termination of his employment, all unpaid amounts otherwise due the Executive (including under Section 5) shall be paid to his estate.

13. Governing Law. This Agreement shall be governed, construed, interpreted, and enforced in accordance with the substantive laws of the State of Delaware, without reference to the principles of conflicts of law of Delaware or any other jurisdiction, and where applicable, the laws of the United States.

14. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. Notices. Any notice, request, claim, demand, document, and other communication hereunder to any party hereto shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by telex, telecopy, nationally recognized overnight courier, or certified or registered mail, postage prepaid, to the following address (or at any other address that any party hereto shall have specified by notice in writing to the other party hereto):

(a) If to the Company:

Hexion Inc.
180 E. Broad Street
Columbus, Ohio 43215
Attention: General Counsel

and a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019-6064
Fax: (212) 757-3990
Attention: Lawrence I. Witdorchic

(b) If to the Executive, at his most recent address on the payroll records of the Company.

16. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

17. Entire Agreement. The terms of this Agreement (together with any other agreements and instruments contemplated hereby or referred to herein) is intended by the parties hereto to be the final expression of their agreement with respect to the employment of the Executive by the Company and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties hereto further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement.

18. Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing signed by the Executive and a duly authorized officer of the Company that expressly identifies the amended provision of this Agreement. By an instrument in writing similarly executed and similarly identifying the waived compliance, the Executive or a duly authorized officer of the Company may waive compliance by the other party or parties with any provision of this Agreement that such other party was or is obligated to comply with or perform; provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure to comply or perform. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

19. No Inconsistent Actions. The parties hereto shall not voluntarily undertake or fail to undertake any action or course of action inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

20. Construction. This Agreement shall be deemed drafted equally by both of the parties hereto. Its language shall be construed as a whole and according to its fair meaning. Any presumption or

principle that the language is to be construed against any party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections, or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Also, unless the context clearly indicates to the contrary, (a) the plural includes the singular, and the singular includes the plural; (b) "and" and "or" are each used both conjunctively and disjunctively; (c) "any," "all," "each," or "every" means "any and all," and "each and every"; (d) "includes" and "including" are each "without limitation"; and (e) "herein," "hereof," "hereunder," and other similar compounds of the word "here" refer to the entire Agreement and not to any particular paragraph, subparagraph, section, or subsection.

21. Dispute Resolution. The parties agree that any suit, action, or proceeding brought by or against such party in connection with this Agreement shall be brought solely in any state or federal court within the State of Delaware. Each party expressly and irrevocably consents and submits to the jurisdiction and venue of each such court in connection with any such legal proceeding, including to enforce any settlement, order or award, and such party agrees to accept service of process by the other party or any of its agents in connection with any such proceeding. In the event of any dispute between the Company and the Executive (including, but not limited to, under or with respect to this Agreement), subject to the Executive prevailing on at least one material claim or issue asserted in such dispute, the Company shall reimburse the Executive for all attorneys' fees and other litigation costs incurred by the Executive in connection with such dispute. EACH PARTY HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY SUIT, ACTION, OR OTHER PROCEEDING INSTITUTED BY OR AGAINST SUCH PARTY IN RESPECT OF ITS RIGHTS OR OBLIGATIONS HEREUNDER.

22. Enforcement. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable, this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision were never a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

23. Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local, and foreign withholding and other taxes and charges that the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

24. Employee Representations. The Executive represents, warrants, and covenants that (i) that he has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on his own judgment, (ii) the Executive has the full right, authority, and capacity to enter into this Agreement and to perform his obligations

hereunder, (iii) the Executive is not bound by any agreement that conflicts with or prevents or restricts the full performance of his duties and obligations to the Company hereunder during or after the Term and (iv) the execution and delivery of this Agreement shall not result in any breach or violation of, or a default under, any existing obligation, commitment or agreement to which the Executive is subject.

[*signature page follows*]

The parties have executed this Agreement as of the date first written above.

HEXION HOLDINGS LLC

By: /s/ Douglas A. Johns
Douglas A. Johns
Executive Vice President, General Counsel & Secretary

HEXION INC.

By: /s/ John P. Auletto
John P. Auletto
Executive Vice President, Human Resources

EXECUTIVE

/s/ Craig A. Rogerson
Craig A. Rogerson

[Signature Page to Rogerson Employment Agreement]

LONG-TERM INCENTIVE COMPENSATION AWARD AGREEMENT

This Long-Term Incentive Compensation Award Agreement (this "Agreement"), entered into on June 12, 2017, is made by and between, on the one hand, Craig Rogerson (the "Executive"), and on the other hand, Hexion Inc., a New Jersey corporation (the "Company").

RECITALS

A. The Executive, the Company, and Hexion Holdings LLC, a Delaware limited liability company and the ultimate indirect parent of the Company (the "Parent"), have entered into that certain employment agreement dated as of June 12, 2017 (the "Employment Agreement").

B. Section 3(c) of the Employment Agreement contemplates the grant of a long-term incentive compensation award to the Executive in accordance with the terms of a Long-Term Incentive Compensation Award Agreement.

C. This Agreement is intended to set forth the terms and conditions of the Executive's long-term incentive compensation award as contemplated by the Employment Agreement.

D. Capitalized terms used, but not defined, herein shall have the meanings given to them in the Employment Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the parties hereto agree as follows:

1. Long-Term Incentive Compensation Award.

(a) During the Term, on the next regular payroll date of the Company following any distribution of cash or property by Parent to one or more of its members (each, a "Parent Distribution"), the Company shall pay to the Executive a cash bonus equal to 7.5% of the amount of such Parent Distribution.

(b) Except if the Term ends pursuant to Section 4(a)(i), 4(a)(ii), 4(a)(iii), or 4(a)(vi) of the Employment Agreement, on each anniversary of the last day of the Term that occurs prior to a Change in Control or a Deemed Termination for Cause, the Company shall pay to the Executive a cash bonus amount equal to 7.5% of the aggregate amount of Parent Distributions made during the preceding twelve (12) months.

(c) Upon the occurrence of a Change in Control, other than a Change in Control that occurs following a termination of the Term pursuant to Section 4(a)(i), 4(a)(ii), 4(a)(iii), or 4(a)(vi) of the Employment Agreement or following a Deemed Termination for Cause, the Company shall pay to the Executive a cash bonus amount equal to the sum of (x) 7.5% of the aggregate amount of Parent Distributions made since the last cash bonus payment to the Executive, if any, pursuant to Section 1

(a) or 1(b) above, plus (y) 7.5% of the aggregate amount of Change in Control proceeds available for Parent Distribution (net of transaction costs and expenses), as determined by the Board in good faith.

(d) In no event shall the aggregate amount of cash bonuses payable to the Executive pursuant to this Agreement exceed $100 million. For the avoidance of doubt, the Executive's rights, and the Company's obligations, pursuant to Section 1(b) and 1(c) above shall survive the expiration of the Term as required to give effect to such provisions.

(e) As used herein, the term "Change in Control" shall mean a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, in either case within the meaning of Section 409A of the Code.

2. Section 409A of the Code.

(a) General. The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Code and the Department of Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines that any amounts payable hereunder will be taxable currently to the Executive under Section 409A(a)(1)(A) of the Code and related Department of Treasury guidance, the Company and the Executive shall cooperate in good faith to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that they mutually determine to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement, and to avoid less-favorable accounting or tax consequences for the Company, and/or (ii) take such other actions as mutually determined to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A of the Code or to comply with the requirements of Section 409A of the Code and thereby avoid the application of penalty taxes thereunder; provided, however, that this Section 2(a) does not create an obligation on the part of the Company to modify this Agreement in a manner that would alter the economic agreement intended by the parties and does not guarantee that the amounts payable hereunder will not be subject to interest or penalties under Section 409A, and in no event whatsoever shall the Company or any of its Affiliates be liable for any additional tax, interest, or penalties that may be imposed on the Executive as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code.

(b) Separation from Service under Section 409A. Notwithstanding any provision to the contrary in this Agreement, (i) no amount payable pursuant to this Agreement that constitutes "deferred compensation" subject to Section 409A of the Code that is payable upon a termination of employment hereunder shall be paid unless the termination of the Executive's employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) if the Executive is deemed at the time of his separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent that delayed commencement of any portion of the benefits to which the Executive is entitled under this Agreement (after taking into account all exclusions applicable to such termination benefits under Section 409A

of the Code) is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Executive's termination benefits shall not be provided to the Executive prior to the earlier of (A) the expiration of the six-month period measured from the date of the Executive's "separation from service" with the Company (as such term is defined in the Department of Treasury Regulations issued under Section 409A of the Code) and (B) the date of the Executive's death; provided, that upon the earlier of such dates, all payments deferred pursuant to this Section 2(b) shall be paid to the Executive in a lump sum, and any remaining payments due under this Agreement shall be paid as otherwise provided herein; and (iii) the determination of whether the Executive is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his separation from service shall be made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including, without limitation, Section 1.409A-1(i) of the Department of Treasury Regulations and any successor provision thereto).

3. Assignment and Successors. The Company may assign its rights and obligations under this Agreement to any entity, including any successor to all or substantially all the assets of the Company, by merger or otherwise, and may assign or encumber this Agreement and its rights hereunder as security for indebtedness of the Company and its Affiliates. The Executive may not assign his rights or obligations under this Agreement to any individual or entity. This Agreement shall be binding upon and inure to the benefit of the Company and the Executive and their respective successors, assigns, personnel, legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. In the event of the Executive's death during or following a termination of his employment, all unpaid amounts otherwise due the Executive shall be paid to his estate.

4. Governing Law. This Agreement shall be governed, construed, interpreted, and enforced in accordance with the substantive laws of the State of Delaware, without reference to the principles of conflicts of law of Delaware or any other jurisdiction, and where applicable, the laws of the United States.

5. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

6. Notices. Any notice, request, claim, demand, document, and other communication hereunder to any party hereto shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by telex, telecopy, nationally recognized overnight courier, or certified or registered mail, postage prepaid, to the following address (or at any other address that any party hereto shall have specified by notice in writing to the other party hereto):

(a) If to the Company:
Hexion, Inc.
180 East Broad Street
Columbus, Ohio 43215
Attention: General Counsel

and a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019-6064
Fax: (212) 757-3990
Attention: Lawrence I. Witdorchic

(b) If to the Executive, at his most recent address on the payroll records of the Company.

7. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

8. Entire Agreement. The terms of this Agreement (together with the Employment Agreement and any other agreements and instruments contemplated thereby or referred to therein) is intended by the parties hereto to be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties hereto further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement.

9. Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing signed by the Executive and a duly authorized officer of the Company that expressly identifies the amended provision of this Agreement. By an instrument in writing similarly executed and similarly identifying the waived compliance, the Executive or a duly authorized officer of the Company may waive compliance by the other party or parties with any provision of this Agreement that such other party was or is obligated to comply with or perform; provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure to comply or perform. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

10. No Inconsistent Actions. The parties hereto shall not voluntarily undertake or fail to undertake any action or course of action inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

11. Construction. This Agreement shall be deemed drafted equally by both of the parties hereto. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections, or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Also, unless the context clearly indicates to the contrary, (a) the plural includes the singular, and the singular includes the plural; (b) “and” and “or” are each used both conjunctively and disjunctively; (c) “any,” “all,” “each,” or “every” means “any and all,” and “each and every”; (d) “includes” and “including” are each “without limitation”; and (e)

"herein," "hereof," "hereunder," and other similar compounds of the word "here" refer to the entire Agreement and not to any particular paragraph, subparagraph, section, or subsection.

12. Dispute Resolution. The parties agree that any suit, action, or proceeding brought by or against such party in connection with this Agreement shall be brought solely in any state or federal court within the State of Delaware. Each party expressly and irrevocably consents and submits to the jurisdiction and venue of each such court in connection with any such legal proceeding, including to enforce any settlement, order or award, and such party agrees to accept service of process by the other party or any of its agents in connection with any such proceeding. In the event of any dispute between the Company and the Executive (including, but not limited to, under or with respect to this Agreement), subject to the Executive prevailing on at least one material claim or issue asserted in such dispute, the Company shall reimburse the Executive for all attorneys' fees and other litigation costs incurred by the Executive in connection with such dispute. EACH PARTY HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY SUIT, ACTION, OR OTHER PROCEEDING INSTITUTED BY OR AGAINST SUCH PARTY IN RESPECT OF ITS RIGHTS OR OBLIGATIONS HEREUNDER.

13. Enforcement. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable, this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision were never a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

14. Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local, and foreign withholding and other taxes and charges that the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

15. Employee Representations. The Executive represents, warrants, and covenants that (i) that he has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on his own judgment, (ii) the Executive has the full right, authority, and capacity to enter into this Agreement and to perform his obligations hereunder, (iii) the Executive is not bound by any agreement that conflicts with or prevents or restricts the full performance of his duties and obligations to the Company hereunder during or after the Term and (iv) the execution and delivery of this Agreement shall not result in any breach or violation of, or a default under, any existing obligation, commitment or agreement to which the Executive is subject.

The parties have executed this Agreement as of the date first written above.

HEXION INC.

By: /s/ John P. Auletto
John P. Auletto
Executive Vice President, Human Resources

EXECUTIVE

/s/ Craig A. Rogerson
Craig A. Rogerson

[Signature Page to Rogerson Long-Term Incentive Compensation Award Agreement]

Exhibit 31.1(A)

Certification of Financial Statements and Internal Controls

I, Craig A. Rogerson, 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: August 11, 2017

/s/ Craig A. Rogerson

Craig A. Rogerson
Chief Executive Officer

Exhibit 31.1(B)

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: August 11, 2017

/s/ George F. Knight

George F. Knight

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 June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, certify, 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/ Craig A. Rogerson	/s/ George F. Knight
Craig A. Rogerson	George F. Knight
Chief Executive Officer	Chief Financial Officer
August 11, 2017	August 11, 2017

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.