ANALYSIS OF AGREEMENT CONTAIN

Stuart was a wholly-owned subsidiary of Wilh. Werhahn KG, a German holding company. Stuart was a metalworking fluids manufacturer and management service provider headquartered in Warrenville, Illinois. Stuart manufactured metalworking fluids, including AHROs, in its Warrenville, Illinois, and Detroit, Michigan, facilities. Prior to the merger, Stuart was the second largest seller of AHRO in North America.

Quaker, the proposed buyer of Stuart's AHRO assets, is a leading global provider of process and specialty chemicals. It also offers chemical management services. Based in Conshohocken, Pennsylvania, Quaker reported total 2007 worldwide revenues of $546 million. Quaker currently holds a very small share of the North American AHRO market.

III. Aluminum Hot Rolling Oil

AHRO is a critical input to an industrial process known as the "hot rolling" of aluminum alloy. Hot rolling creates large coils or plates of flat rolled aluminum stock, which are production inputs for a diverse variety of products such as beverage cans, automobile parts, building products like window frames and rain gutters, as well as a variety of aerospace and defense products.

As the mill operates, AHRO provides both cooling and lubrication to the metal stock. A modern aluminum hot mill must maintain extremely narrow manufacturing tolerances, and the correct AHRO formulation is critical to both the quality of the finished product and the efficienoth the quality enabling Houghton to profit by unilaterally raising the prices of AHRO, as well as reducing its incentive to improve quality and provide better service.

New suppliers are unlikely to enter this market to deter or counteract the anticompetitive effects of the acquisition. Quaker tried without much success to enter the North American market for AHRO in the late 1990s, but largely abandoned those efforts. Technological requirements, high customer switching costs and reputation pose substantial barriers to entrants attempting to sell AHRO to North American customers. As a result, new entry sufficient to achieve a significant market impact is unlikely to occur in a timely manner.

IV. THE PROPOSED CONSENT AGREEMENT

The Consent Agreement remedies the anticompetitive effects of the acquisition by requiring the divestiture of Stuart's U.S. AHRO Business to a Commission-Approved Acquirer. Quaker has agreed to purchase this business. Specifically, the proposed Consent Agreement requires divestiture of Stuart's AHRO customer contracts, business information and all of Stuart's AHRO-related intellectual property, including all the formulations and technical information that are necessary to compete independently and effectively. Quaker has also reached employment agreements with all the key Stuart AHRO employees, ensuring that Stuart's existing AHRO capabilities are transferred to Quaker.

The proposed Consent Agreement contains several provisions designed to ensure that the divestiture is successful. First, it requires Houghton to provide transitional services to Quaker or another Commission-approved buyer. These transition services will facilitate a smooth transition of Stuart's U.S. AHRO business to the acquirer, and ensure continued and uninterrupted competition during the transition. Second, if Respondents fail to divest Stuart's U.S. AHRO business to a Commission-approved buyer, the proposed Consent Agreement permits the Commission to appoint a trustee to divest the assets. Third, the proposed Consent agreement requires Respondents to remove any contractual impediments that may deter the former Stuart AHRO employees from accepting employment with the Commission-approved buyer. Fourth, the proposed Consent Agreement permits the Commission to appoint an interim monitor to oversee compliance with the Agreement's provisions. Quaker and Houghton have also entered into a short-term non-compete agreement. This agreement protects Quaker from losing its U.S. AHRO customers to Houghton until after Houghton completes its obligations to provide transitional services to Quaker.

Respondents are required to hold the Stuart U.S. AHRO business separate and apart from Houghton's AHRO business and maintain that business until it can be divested to a Commission-approved acquirer.

V. Opportunity for Public Comment

The Proposed Order has been placed on the public record for thirty days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty days, the Commission will review the Proposed Order again and the comments received and will decide whether it should withdraw from the Proposed Order or make it final. By accepting the Proposed Order subject to final approval, the Commission anticipates that the competitive problems alleged in the complaint will be resolved. The purpose of this analysis is to inform and invite public comment on the Proposed Order, including the proposed divestitures, and to aid the Commission in its determination of whether to make the Proposed Order final. This analysis is not intended to constitute an official interpretation of the Proposed Order, nor is it intended to modify the terms of the Proposed Order in any way.