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American Chemical Corporation

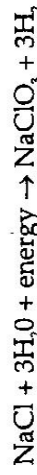
In June 1979, American Chemical Corporation announced a tender offer for any and all of the shares of the Universal Paper Corporation. American was one of the largest diversified chemical companies in the United States (Exhibit 1). Universal was a large paper and pulp company (Exhibit 2).

Universal's management opposed the takeover and, among other things, sued in federal court to have the tender offer blocked on grounds that American's acquisition of Universal would violate the Clayton Act of the U.S. antitrust laws. Both firms engaged in the production of sodium chlorate. Universal alleged that its acquisition by American would substantially reduce competition in the sodium chlorate business, particularly in the Southeastern U.S. market where the two firms were competitors. The U.S. government joined Universal in seeking a preliminary injunction to stop American's tender offer. Though it denied the allegations, American prevented a preliminary injunction by agreeing to divest its sodium chlorate plant located near Collinsville, Alabama, in the event it acquired Universal. American subsequently was successful in acquiring over 91% of Universal's shares.

In October 1979, American began looking for a buyer for the Collinsville plant. A number of potential buyers were approached, including the Dixon Corporation, a specialty chemicals company. After lengthy negotiations, Dixon agreed to purchase the net assets of the Collinsville plant from American for \$12 million, subject to approval by its board of directors.

The Market for Sodium Chlorate

Sodium chlorate (NaClO_3) was a chemical produced by the electrolytic decomposition of salt (NaCl) according to the chemical formula:



Sodium chlorate was sold either as a white crystalline solid or in a 25% water solution.

Approximately 85% of the sodium chlorate produced in the United States was sold to the paper and pulp industries, where it was used in the bleaching of pulp. Sodium chlorate was reacted with salt (NaCl) and sulfuric acid (H_2SO_4) to produce a bleaching agent, chloride dioxide (ClO_2), according to the formula:



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