Chemtura CORP
Form 10-Q
November 01, 2011

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 September 30, 2011
OR
¨ 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) 1-15339

CHEMTURA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	52-2183153
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1818 Market Street, Suite 3700, Philadelphia, Pennsylvania	19103
199 Benson Road, Middlebury, Connecticut	06749
(Address of principal executive offices)	(Zip Code)

(203) 573–2000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed from 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.
x Yes ¨ No

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 (§232.405 of the chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
x Yes ¨ No

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 definition of “large accelerated filer,” “accelerated filer,” “non-accelerated filer” and “smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ¨ Accelerated Filer x Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if smaller reporting company)

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

The number of shares of common stock outstanding as of the latest practicable date is as follows:

Class	Number of shares outstanding at September 30, 2011
Common Stock - $.01 par value	98,209,798

CHEMTURA CORPORATION AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2011

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CHEMTURA CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)
Quarters and nine months ended September 30, 2011 and 2010
(In millions, except per share data)

	Quarters ended September 30, 2011	Quarters ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net sales	$ 773	$ 710	$ 2,348	$ 2,080
Cost of goods sold	599	550	1,789	1,587
Selling, general and administrative	84	85	255	232
Depreciation and amortization	35	40	106	134
Research and development	11	11	33	31
Facility closures, severance and related costs	-	(2)	-	1
Gain on sale of busniess	-	(2)	-	(2)
Impairment charges	-	-	3	-
Changes in estimates related to expected allowable claims	-	(40)	1	33
Equity income	(1)	(1)	(3)	(3)
Operating profit	45	69	164	67
Interest expense (a)	(16)	(35)	(48)	(164)
Loss on early extinguishment of debt	-	-	-	(13)
Other (expense) income , net	(1)	8	(1)	(2)
Reorganization items, net	(6)	(33)	(19)	(80)
Earnings (loss) from continuing operations before income taxes	22	9	96	(192)
Income tax (provision) benefit	(13)	2	(10)	(14)
Earnings (loss) from continuing operations	9	11	86	(206)
Loss from discontinued operations, net of tax	-	-	-	(1)
Loss on sale of discontinued operations, net of tax	-	(3)	-	(12)
Net earnings (loss)	9	8	86	(219)
Less: Net loss (earnings) attributed to non-controlling interests	-	1	(1)	-
Net earnings (loss) attributable to Chemtura	$ 9	$ 9	$ 85	$ (219)
Basic and diluted per share information - attributable to Chemtura				
Earnings (loss) from continuing operations	$ 0.09	$ 0.05	$ 0.85	$ (0.85)
Loss from discontinued operations, net of tax	-	-	-	-

Loss on sale of discontinued operations, net of tax	-	(0.01)	-	(0.05)
Net earnings (loss) attributable to Chemtura	$ 0.09	$ 0.04	$ 0.85	$ (0.90)
Weighted average shares outstanding - Basic	100.3	242.9	100.2	242.9
Weighted average shares outstanding - Diluted	100.5	242.9	100.4	242.9
Amounts attribuable to Chemtura stockholders:				
Earnings (loss) from continuing operations	$ 9	$ 12	$ 85	$ (206)
Loss from discontinued operations, net of tax	-	-	-	(1)
Loss on sale of discontinued operations, net of tax	-	(3)	-	(12)
Net earnings (loss) attributable to Chemtura	$ 9	$ 9	$ 85	$ (219)

(a) During the quarter and nine months ended September 30, 2010, $21 million and $129 million, respectively, of contractual interest expense was recorded relating to interest obligations on unsecured claims for the period from March 18, 2009 through September 30, 2010 that were considered probable to be paid based on the plan of reorganization filed and later confirmed on November 10, 2010.

See accompanying notes to Consolidated Financial Statements.

CHEMTURA CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
September 30, 2011 (Unaudited) and December 31, 2010
(In millions, except per share data)

	September 30, 2011 (unaudited)	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 191	$ 201
Restricted cash	2	32
Accounts receivable, net	497	489
Inventories, net	562	528
Other current assets	131	171
Total current assets	1,383	1,421
NON-CURRENT ASSETS		
Property, plant and equipment, net	724	716
Goodwill	175	175
Intangible assets, net	404	429
Non-current restricted cash	-	6
Other assets	195	166
Total assets	$ 2,881	$ 2,913
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 27	$ 3
Accounts payable	177	191
Accrued expenses	190	281
Income taxes payable	23	14
Total current liabilities	417	489
NON-CURRENT LIABILITIES		
Long-term debt	748	748
Pension and post-retirement health care liabilities	421	498
Other liabilities	212	207
Total liabilities	1,798	1,942
STOCKHOLDERS' EQUITY		
Common stock - $0.01 par value		
Authorized - 500.0 shares		
Issued and outstanding - 98.2 shares at September 30, 2011 and 95.6 shares at December 31, 2010	1	1
Additional paid-in capital	4,346	4,305
Accumulated deficit	(2,983)	(3,068)

Accumulated other comprehensive loss	(290)	(276)
Total Chemtura stockholders' equity	1,074	962
Non-controlling interest	9	9
Total stockholders' equity	1,083	971
Total liabilities and stockholders' equity	$ 2,881	$ 2,913

See accompanying notes to Consolidated Financial Statements.

CHEMTURA CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
Nine Months ended September 30, 2011 and 2010
(In millions)

Increase (decrease) in cash	Nine months ended September 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	$ 86	$ (219)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Gain on sale of business	-	(2)
Loss on sale of discontinued operations	-	12
Impairment charges	3	2
Loss on early extinguishment of debt	-	13
Depreciation and amortization	106	134
Stock-based compensation expense	22	1
Reorganization items, net	2	(7)
Changes in estimates related to expected allowable claims	1	33
Contractual post-petition interest expense	-	129
Equity income	(3)	(3)
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable	(11)	(80)
Inventories	(37)	(39)
Restricted cash	36	-
Accounts payable	(14)	39
Pension and post-retirement health care liabilities	(74)	(9)
Liabilities subject to compromise	-	(3)
Other	(26)	40
Net cash provided by operating activities	91	41
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from divestments	-	26
Payments for acquisitions	(33)	-
Capital expenditures	(92)	(62)
Net cash used in investing activities	(125)	(36)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from ABL Facility, net	20	-
Proceeds from Senior Notes	-	452
Proceeds from Term Loans	-	292
Restricted cash from Senior Notes and Term Loan deposited in escrow	-	(758)
Proceeds from Amended DIP Credit Facility	-	299
Payments on DIP Credit Facility	-	(250)
Proceeds from 2007 Credit Facility, net	-	17
Proceeds from other short term borrowings, net	5	-
Payments for debt issuance and refinancing costs	-	(31)

Proceeds from exercise of stock options	1	-
Net cash provided by financing activities	26	21
CASH AND CASH EQUIVALENTS		
Effect of exchange rates on cash and cash equivalents	(2)	1
Change in cash and cash equivalents	(10)	27
Cash and cash equivalents at beginning of period	201	236
Cash and cash equivalents at end of period	$ 191	$ 263

See accompanying notes to Consolidated Financial Statements.

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CHEMTURA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Chemtura Corporation is dedicated to delivering innovative, application-focused specialty chemical and consumer product offerings. Our corporate headquarters is located at 1818 Market Street, Suite 3700, Philadelphia, PA 19103. Our principal executive offices are located at 1818 Market Street, Suite 3700, Philadelphia, PA 19103 and at 199 Benson Road, Middlebury, CT 06749. We operate in a wide variety of end-use industries including agriculture, automotive, construction, electronics, lubricants, packaging, plastics for durable and non-durable goods, pool and spa chemicals, and transportation.

When we use the terms "Corporation," "Company," "Chemtura," "Registrant," "We," "Us" and "Our," unless otherwise indica the context otherwise requires, we are referring to Chemtura Corporation and our consolidated subsidiaries.

We are the successor to Crompton & Knowles Corporation ("Crompton & Knowles"), which was incorporated in Massachusetts in 1900 and engaged in the manufacture and sale of specialty chemicals beginning in 1954. Crompton & Knowles traces its roots to Crompton Loom Works incorporated in the 1840s. Chemtura expanded the specialty chemical business through acquisitions in the United States and Europe, including the 1996 acquisition of Uniroyal Chemical Company, Inc. ("Uniroyal"), the 1999 merger with Witco Corporation ("Witco") and the 2005 acquisition of Great Lakes Chemical Corporation ("Great Lakes").

The information in the foregoing Consolidated Financial Statements for the quarters and nine months ended September 30, 2011 and 2010 is unaudited but reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods presented. All such adjustments are of a normal recurring nature, except as otherwise disclosed in the accompanying notes to our Consolidated Financial Statements.

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of Chemtura and our wholly-owned and majority-owned subsidiaries that we control. Other affiliates in which we have a 20% to 50% ownership interest or a non-controlling majority interest are accounted for in accordance with the equity method. Other investments in which we have less than 20% ownership are recorded at cost. All significant intercompany balances and transactions have been eliminated in consolidation.

Our Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"), which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

We operated as a debtor-in-possession under the protection of the U.S. Bankruptcy Court from March 18, 2009 (the "Petition Date") through November 10, 2010, the date we emerged from Chapter 11 (the "Effective Date"). From the Petition Date through the Effective Date, our Consolidated Financial Statements were prepared in accordance with Accounting Standards Codification ("ASC") Section 852-10-45, Reorganizations – Other Presentation Matters ("ASC 852-10-45") which requires that financial statements, for periods during the pendency of our Chapter 11 proceedings, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain income, expenses, realized gains and losses and provisions for losses that were realized or incurred during the Chapter 11 proceedings were recorded in reorganization items, net on our Consolidated Statements of Operations in 2010 and continue in 2011, but at a much reduced amount. In connection with our emergence from Chapter 11 on November 10, 2010, we recorded certain “plan effect” adjustments to our Consolidated Financial Statements as of the Effective Date in order to reflect certain provisions of our plan of reorganization.

The interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes included in our Annual Report on Form 10-K for the period ended December 31, 2010. The consolidated results of operations for the quarter and nine months ended September 30, 2011 are not necessarily indicative of the results expected for the full year.

Accounting Policies and Other Items

Cash and cash equivalents include bank term deposits with original maturities of three months or less. Included in cash and cash equivalents in our Consolidated Balance Sheets at both September 30, 2011 and December 31, 2010 is $1 million of restricted cash that is required to be on deposit to support certain letters of credit and performance guarantees, the majority of which will be settled within one year.

Included in our restricted cash balance at September 30, 2011 and December 31, 2010 is $2 million and $38 million, respectively, of cash on deposit for the settlement of disputed bankruptcy claims that existed at the Effective Date. At September 30, 2011, $2 million of restricted cash is included within current assets in our Consolidated Balance Sheet. At December 31, 2010, $32 million and $6 million of restricted cash is included within current assets and non-current assets, respectively, in our Consolidated Balance Sheet.

Included in accounts receivable are allowances for doubtful accounts of $22 million and $24 million as of September 30, 2011 and December 31, 2010, respectively.

During the nine months ended September 30, 2011 and 2010, we made interest payments of approximately $52 million and $22 million, respectively. During the nine months ended September 30, 2011 and 2010, we made payments for income taxes (net of refunds) of $8 million and $5 million, respectively.

Accounting Developments

In May 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 amends U.S. GAAP to conform it with fair value measurement and disclosure requirements in International Financial Reporting Standards ("IFRS"). The amendments in ASU 2011-04 changed the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The provisions of ASU 2011-04 are effective for the first reporting period (including interim periods) beginning after December 15, 2011. We are currently evaluating the impact this accounting standard update will have on our results of operations, financial condition or disclosures.

In June 2011, the FASB issued ASU No. 2011-05, Presentation of Comprehensive Income ("ASU 2011-05"). ASU 2011-05 requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new standard also requires presentation of adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. The provisions of ASU 2011-05 are effective for the first reporting period (including interim periods) beginning after December 15, 2011. The adoption of this standard will not have a material financial statement impact as it only impacts the presentation of our financial statements.

In September 2011, the FASB issued ASU No. 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment. The guidance in ASU 2011-08 is intended to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. The amendments also improve previous guidance by expanding upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amendments in this ASU are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on our results of operations or financial condition.

In September 2011, the FASB issued ASU No. 2011-09, Compensation—Retirement Benefits Multiemployer Plans (Subtopic 715-80). The guidance in ASU 2011-09 assists users of financial statements assess the potential future cash flow implications relating to an employer's participation in multiemployer pension plans. The disclosures will indicate the financial health of all of the significant plans in which the employer participates and assist a financial statement user to access additional information that is available outside the financial statements. The amendments in this ASU are effective for annual periods for fiscal years ending after December 15, 2011, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on our results of operations or financial condition.

2) EMERGENCE FROM CHAPTER 11

The onset of the global recession in the fourth quarter of 2008 caused a rapid deterioration in our operating performance, reductions in availability under our credit facilities and reduced our liquidity. The crisis in the credit markets that had deepened in the late summer of 2008 compounded the liquidity challenges we faced. Under normal market conditions, we believed we would have been able to secure additional liquidity and refinance our $370 million notes that were due to mature on July 15, 2009 (the "2009 Notes") in the debt capital markets. In the first quarter of 2009, having carefully explored and exhausted all possibilities to gain near-term access to liquidity, we determined that debtor-in-possession ("DIP") financing presented the best available alternative for us to meet our immediate and ongoing liquidity needs and preserve the value of our business. As a result, having obtained the commitment of $400 million senior secured super priority DIP credit facility agreement (the "DIP Credit Facility"), Chemtura and 26 of our U.S. affiliates (collectively the "U.S. Debtors") filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") on the Petition Date in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

On August 8, 2010, our Canadian subsidiary, Chemtura Canada Co/Cie ("Chemtura Canada"), filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. On August 11, 2010, Chemtura Canada commenced ancillary recognition proceedings under Part IV of the Companies' Creditors Arrangement Act (the "CCAA") in the Ontario Superior Court of Justice (the "Canadian Court" and such proceedings, the "Canadian Case"). The U.S. Debtors along with Chemtura Canada (collectively the "Debtors") requested the Bankruptcy Court to enter an order jointly administering Chemtura Canada's Chapter 11 case with the previously filed Chapter 11 cases and appoint Chemtura Canada as the "foreign representative" for the purposes of the Canadian Case. Such orders were granted on August 9, 2010. On August 11, 2010, the Canadian Court entered an order recognizing the Chapter 11 cases as a "foreign proceedings" under the CCAA.

On June 17, 2010, the U.S. Debtors filed the initial version of our plan of reorganization and related disclosure statement (as amended, modified or supplemented, the "Plan" and "Disclosure Statement") with the Bankruptcy Court and on July 9, 2010, July 20, 2010, August 5, 2010, September 14, 2010 and September 20, 2010, the Debtors filed revised versions of the Plan and Disclosure Statement with the Bankruptcy Court. The final version of the Plan was filed with the Bankruptcy Court on October 29, 2010. The Plan organized claims against the Debtors into classes according to their relative priority and certain other criteria. For each class, the Plan described (a) the type of claim or interest, (b) the recovery available to the holders of claims or interests in that class under the Plan, (c) whether the class was "impaired" under the Plan, meaning that each holder would receive less than the full value on account of its claim or interest or that the rights of holders under law will be altered in some way (such as receiving stock instead of holding a claim) and (d) the form of consideration (e.g., cash, stock or a combination thereof), if any, that such holders were to receive on account of their respective claims or interests. Distributions to creditors under the Plan generally included a combination of common shares in the capital of the reorganized company authorized pursuant to the Plan (the "New Common Stock"), cash, reinstatement or such other treatment as agreed between the Debtors and the applicable creditor. Certain creditors were eligible to elect, when voting on the Plan, to receive their recovery in the form of the maximum available amount of cash or the maximum available amount of New Common Stock. Holders of previously outstanding Chemtura stock ("Holders of Interests"), based upon their vote as a class to reject the Plan, received their pro rata share of value available for distribution, after all allowed claims have been paid in full and certain disputed claims reserves required by the Plan have been established in accordance with the terms of the Plan. The Plan provides that Holders of Interests may also be entitled to supplemental distributions if amounts reserved on account of disputed claims exceed the value of claims that are ultimately allowed and two such supplemental distributions have been made to date.

On October 21, 2010, the Bankruptcy Court entered a bench decision approving confirmation of the Debtors' Plan and on November 3, 2010, the Bankruptcy Court entered an order confirming the Plan. On the Effective Date, the Debtors substantially consummated their reorganization through a series of transactions contemplated by the Plan and the Plan became effective. Pursuant to the Plan, on the Effective Date: (i) our common stock, par value $0.01 per share, outstanding prior to effectiveness of the Plan was cancelled and all of our outstanding publicly registered pre-petition indebtedness was settled, and (ii) shares of our New Common Stock, par value $0.01 per share, were issued for distribution in accordance with the Plan. On November 8, 2010, the New York Stock Exchange ("NYSE") approved for listing a total of 111 million shares of New Common Stock, as authorized under the Plan, comprising (i) approximately 95.5 million shares of New Common Stock to be issued under the Plan; (ii) approximately 4.5 million shares of New Common Stock reserved for future issuances under the Plan; and (iii) 11 million shares of New Common Stock reserved for issuance under our equity plans. Our New Common Stock started "regular way" trading on the NYSE under the ticker symbol "CHMT" on November 11, 2010.

The Plan provided for payment in full (including interest in certain circumstances) on all allowed claims. Holders of Interests received a pro-rata share of New Common Stock in accordance with the Plan together with the potential right to receive supplemental distributions in certain circumstances.

At the Effective Date, we determined that we did not meet the requirements under ASC Section 852-10-45, Reorganizations – Other Presentation Matters ("ASC 852-10-45") to adopt fresh start accounting because the reorganized value of our assets exceeded the carrying value of our liabilities. Fresh start accounting would have required us to record assets and liabilities at fair value as of the Effective Date.

Pursuant to the Plan, and by orders of the Bankruptcy Court dated September 24, 2010, October 19, 2010 and October 29, 2010, the Debtors established the Diacetyl Reserve, the Environmental Reserve and the Disputed Claims Reserve on account of disputed claims as of the Effective Date. All claims as to which an objection was filed and ultimately allowed by the Bankruptcy Court regarding Diacetyl and environmental matters have been satisfied through the Diacetyl and Environmental reserves. To the extent remaining claims are allowed by the Bankruptcy Court, these claims will be paid from the Disputed Claims Reserve. These reserves have been funded through cash (which is reflected as restricted cash on our Consolidated Balance Sheet) and shares of common stock reserved for future issuance. Accruals for expected allowed claims relating to these disputed claims are recorded when the settlement amount is probable and reasonably estimable which may differ from the total of the approved reserve amount.

Pursuant to the Plan and the October 29, 2010 order approving the Disputed Claims Reserve, Holders of Interests in Chemtura may also be entitled to supplemental distributions (in the form of cash and/or stock) if amounts reserved on account of disputed claims exceed the value of claims that are ultimately allowed. These Holders of Interests will be entitled to a portion of any excess value held in specified segregated reserves within the Disputed Claims Reserve following the resolution of the claims for which the segregated reserves are held. These Holders of Interests will also be entitled to all excess value held in the Disputed Claims Reserve after all disputed claims are either disallowed or allowed and satisfied from the Disputed Claims Reserve. Holders of Interests may also be entitled to interim distributions from the Disputed Claims Reserve if the Bankruptcy Court determines that the amount held in the reserve may be reduced before all disputed claims have been allowed or disallowed. We made our first supplemental distribution in March 2011, representing a portion of excess value held in specific segregated reserves within the Disputed Claims Reserve. On June 23, 2011, we filed a motion with the Bankruptcy Court seeking authority to make a second supplemental distribution to Holders of Interests consisting of excess distributable value in the segregated reserve established for the claims of Oildale Energy LLC following the consensual reduction of such reserve in accordance with the Bankruptcy Court's estimation of Oildale Energy's claim. On July 14, 2011, the Bankruptcy Court approved the second supplemental distribution from the Disputed Claims Reserve. We made our second supplemental distribution in August 2011 consisting of the amount of excess distributable value approved by the Bankruptcy Court as requested in our June 23, 2011 motion and excess distributable value in certain other segregated reserves within the Disputed Claims Reserve in accordance with the Plan and the October 29, 2010 order.

A summary of the above described approved distributable claims reserves is as follows:

(In millions)	Diacetyl Reserve	Environmental Reserve	Disputed Claims Reserve	Segregated Reserves	Total Reserves
Distributable amount approved at Effective Date	$ 7	$ 38	$ 42	$ 30	$ 117
Settlements	(7)	(9)	(2)	(4)	(22)
Distributable balance at December 31, 2010	-	29	40	26	95
Settlements	-	(27)	(20)	(2)	(49)
Supplemental distributions	-	-	(5)	(12)	(17)
Reclass to disputed claims reserve	-	(2)	14	(12)	-
Distributable balance at September 30, 2011	$ -	$ -	$ 29	$ -	$ 29

The Reorganization Items, net recorded in our Consolidated Statements of Operations related to our Chapter 11 cases comprise the following:

	Quarters ended September 30,		Nine months ended September 30,	
(In millions)	2011	2010	2011	2010
Professional fees	$ 2	$ 41	$ 14	$ 83
Rejections or terminations of lease agreements (a)	-	-	-	2
Severance and closure costs - manufacturing plants and warehouses (a)	1	2	1	3
Claim settlements, net (b)	3	(10)	4	(8)
Total reorganization items, net	$ 6	$ 33	$ 19	$ 80

(a) Represents charges for cost savings initiatives for which Bankruptcy Court approval has been obtained or requested. For additional information see Note 16 – Restructuring Activities.

(b) Represents the difference between the settlement amount of certain pre-petition obligations (obligations settled in New Common Stock are based on the fair value of our stock at the issuance date) and the corresponding carrying value of the recorded liabilities.

On June 10, 2011, we filed a closing report in Chemtura Canada's Chapter 11 case and a motion seeking a final decree closing that Chapter 11 case. On June 23, 2011, the Bankruptcy Court granted our motion and entered a final decree closing the Chapter 11 case of Chemtura Canada.

3) ACQUISITIONS AND DIVESTITURES

Acquisitions

On January 26, 2011, we announced the formation of ISEM S.r.l. ("ISEM"), a strategic research and development alliance with Isagro S.p.A., which will provide us access to two commercialized products and accelerate the development and commercialization of new active ingredients and molecules related to our Chemtura AgroSolutions segment. ISEM is a 50/50 joint venture between us and Isagro S.p.A. and is being accounted for as an equity method investment. Our investment in the joint venture was €20 million ($28 million), which was made in January 2011. In addition, we and Isagro S.p.A. have agreed to jointly fund discovery and development efforts for ISEM, which is expected to amount to approximately $2 million annually from each partner for five years. We will fund our contributions in part by a reduction in our planned direct research and development spending.

On February 1, 2011, we announced the formation of DayStar Materials, LLC, a joint venture with UP Chemical Co. Ltd. that will manufacture and sell high purity metal organic precursors for the rapidly growing LED market in our Industrial Engineered Products segment. DayStar Materials, LLC is a 50/50 joint venture and is being accounted for as an equity method investment. We made cash contributions of $2 million in February 2011 and $3 million in May 2011, and we expect to make an additional cash contribution of approximately $2 million during the fourth quarter of 2011 in accordance with the joint venture agreement.

Divestitures

On April 30, 2010, we completed the sale of our polyvinyl chloride ("PVC") additives business to Galata Chemicals LLC for net proceeds of $38 million. The net assets sold consisted of accounts receivable of $47 million, inventory of $42 million, other current assets of $6 million and other assets of $1 million, less pension and other post-retirement health care liabilities of $25 million, accounts payable of $3 million and other accrued liabilities of $1 million. A pre-tax loss of approximately $13 million was recorded on the sale in 2010 after the elimination of $16 million of accumulated other comprehensive income ("AOCI") resulting from the liquidation of a foreign subsidiary as part of the transaction. All applicable disclosures included in the accompanying footnotes have been updated to reflect the PVC additives business as a discontinued operation.

On July 30, 2010, we completed the sale of our natural sodium sulfonates and oxidized petrolatum product lines to Sonneborn Holding, LLC for net proceeds of $5 million. The sale included certain assets, our 50% interest in a European joint venture, the assumption of certain liabilities and the mutual release of obligations between the parties. The net assets sold consisted of accounts receivable of $3 million, other current assets of $7 million, property, plant and equipment, net of $2 million, environmental liabilities of $3 million and other liabilities of $6 million. A pre-tax gain of approximately $2 million was recorded on the sale in the third quarter of 2010.

4) INVENTORIES

Components of inventories are as follows:

(In millions)	September 30, 2011	December 31, 2010
Finished goods	$ 349	$ 325
Work in process	41	41
Raw materials and supplies	172	162
	$ 562	$ 528

Included in the above net inventory balances are inventory obsolescence reserves of approximately $19 million and $23 million at September 30, 2011 and December 31, 2010, respectively.

5) PROPERTY, PLANT AND EQUIPMENT

(In millions)	September 30, 2011	December 31, 2010
Land and improvements	$ 80	$ 79
Buildings and improvements	242	231
Machinery and equipment	1,237	1,174
Information systems equipment	179	173
Furniture, fixtures and other	32	32
Construction in progress	93	97
	1,863	1,786
Less accumulated depreciation	(1,139)	(1,070)
	$ 724	$ 716

Depreciation expense was $25 million and $31 million for the quarters ended September 30, 2011 and 2010, respectively and $77 million and $107 million for the nine months ended September 30, 2011 and 2010, respectively. Depreciation expense included accelerated depreciation of certain fixed assets associated with our restructuring programs of $5 million for the quarter ended September 30, 2010 and $1 million and $26 million for the nine months ended September 30, 2011 and 2010, respectively.

6) GOODWILL AND INTANGIBLE ASSETS

Our goodwill balance was $175 million at September 30, 2011 and December 31, 2010. The goodwill is allocated entirely to the Industrial Performance Products segment. The goodwill balance at September 30, 2011 reflected accumulated impairments of $90 million.

We elected to perform our annual goodwill impairment procedures for all of our reporting units in accordance with ASC Subtopic 350-20, Intangibles – Goodwill and Other - Goodwill ("ASC 350-20") as of July 31, or sooner, if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We estimate the fair value of our reporting units utilizing income and market approaches through the application of discounted cash flow and market comparable methods (Level 3 inputs as described in Note 14 – Financial Instruments and Fair Value Measurements). The assessment is required to be performed in two steps: step one to test for a potential impairment of goodwill and, if potential impairments are identified, step two to measure the impairment loss through a full fair valuing of the assets and liabilities of the reporting unit utilizing the acquisition method of accounting. We concluded that no goodwill impairment existed in any of our reporting units based on the annual review as of July 31, 2011.

We continually monitor and evaluate business and competitive conditions that affect our operations and reflects the impact of these factors in our financial projections. If permanent or sustained changes in business or competitive conditions occur, they can lead to revised projections that could potentially give rise to impairment charges.

During 2010, we identified risks inherent in Chemtura AgroSolutions reporting units forecast given the recent performance of this reporting unit, which has been below expectations. At the end of the fourth quarter of 2010, this reporting unit's performance had significantly fallen below expectations for several consecutive quarters. We concluded that it was appropriate to perform a goodwill impairment review as of December 31, 2010. We used revised forecasts to compute the estimated fair value of this reporting unit. These projections indicated that the estimated fair value of the Chemtura AgroSolutions reporting unit was less than the carrying value. Based upon our preliminary step 2 analysis, an estimated goodwill impairment charge of $57 million was recorded in December 2010 (representing the remaining goodwill of this reporting unit). Due to the complexities of the analysis, which involved an allocation of the fair value, we finalized our step 2 analysis and goodwill impairment charge in the first quarter of

2011. This analysis supported our 2010 conclusion that the goodwill was fully impaired.

Our intangible assets (excluding goodwill) are comprised of the following:

	September 30, 2011			December 31, 2010		
(In millions)	Gross Cost	Accumulated Amortization	Net Intangibles	Gross Cost	Accumulated Amortization	Net Intangibles
Patents	$ 129	$ (69)	$ 60	$ 127	$ (62)	$ 65
Trademarks	265	(69)	196	264	(62)	202
Customer relationships	148	(49)	99	147	(43)	104
Production rights	46	(27)	19	46	(24)	22
Other	72	(42)	30	73	(37)	36
Total	$ 660	$ (256)	$ 404	$ 657	$ (228)	$ 429

The increase in gross intangible assets since December 31, 2010 is primarily due to additions of $4 million and foreign currency translation of $4 million, partially offset by a $3 million write-off of fully amortized intangibles (offset within accumulated amortization) and a $2 million impairment charge related to patents with no future use.

Amortization expense related to intangible assets amounted to $9 million and $10 million for the quarters ended September 30, 2011 and 2010, respectively, and $29 million and $28 million for the nine months ended September 30, 2011 and 2010, respectively.

7) DEBT

Our debt is comprised of the following:

(In millions)	September 30, 2011	December 31, 2010
7.875% Senior Notes due 2018	$ 452	$ 452
Term Loan due 2016	293	292
ABL Facility	20	-
Other borrowings	10	7
Total Debt	775	751
Less: ABL Facility	(20)	-
Less: Other short-term borrowings	(7)	(3)
Long-term debt	$ 748	$ 748

Financing Facilities

In order to emerge from Chapter 11 and provide for future capital needs, we obtained approximately $1 billion in financing in 2010. On August 27, 2010, we completed a private placement offering under Rule 144A of $455 million aggregate principal amount of 7.875% senior notes due 2018 (the "Senior Notes") at an issue price of 99.269% in reliance on an exemption pursuant to Section 4(2) of the Securities Act of 1933. We also entered into a senior secured term facility credit agreement due 2016 (the "Term Loan") with Bank of America, N.A., as administrative agent, and other lenders party thereto for an aggregate principal amount of $295 million with an original issue discount of 1%. The Term Loan permits us to increase the size of the facility by up to $125 million. On the Effective Date, we entered into a five year senior secured revolving credit facility (the "ABL Facility") with Bank of America, N.A., as administrative agent, and the other lenders party thereto for an amount up to $275 million, subject to availability under a borrowing base (with a $125 million letter of credit sub-facility) due 2015. The ABL Facility permits us to increase the size of the facility by up to $125 million subject to obtaining lender commitments to provide such increase.

Senior Notes

Our Senior Notes contain covenants that limit our ability to enter into certain transactions, such as incurring additional indebtedness, creating liens, paying dividends, and entering into certain dispositions and joint ventures. As of September 30, 2011, we were in compliance with the indenture agreement governing our Senior Notes.

Our Senior Notes are subject to certain events of default, including, among others, breach of other agreements in the Indenture; any guarantee of the Senior Notes by a significant subsidiary ceasing to be in full force and effect; a default by us or our restricted subsidiaries under any bonds, debentures, notes or other evidences of indebtedness of a certain amount, resulting in its acceleration; the rendering of judgments to pay certain amounts of money against us or our significant subsidiaries which remains outstanding for 60 days; and certain events of bankruptcy or insolvency.

In connection with the Senior Notes, in June 2011, we consummated an exchange offer registered with the Securities and Exchange Commission to exchange registered Senior Notes for unregistered Senior Notes originally issued in the private placement offering. The terms of the registered Senior Notes are substantially identical to the unregistered Senior Notes, except that transfer restrictions, registration rights and additional interest provisions relating to the unregistered Senior Notes do not apply to the registered Senior Notes.

Term Loan

The Term Loan is secured by a first priority lien on substantially all of our U.S. tangible and intangible assets (excluding accounts receivable, inventory, deposit accounts and certain other related assets), including, without limitation, real property, equipment and intellectual property, together with a pledge of the equity interests of our first tier subsidiaries and the guarantors of the Term Loan, and a second priority lien on substantially all of our U.S. accounts receivable and inventory.

We may, at our option, prepay the outstanding aggregate principal amount on the Term Loan advances in whole or ratably in part along with accrued and unpaid interest on the date of the prepayment. If the prepayment is made prior to the first anniversary of the closing date of the Term Loan agreement, we will pay an additional premium of 1% of the aggregate principal amount of prepaid advances.

Our obligations as borrower under the Term Loan are guaranteed by certain of our U.S. subsidiaries.

The Term Loan contains covenants that limit, among other things, our ability to enter into certain transactions, such as creating liens, incurring additional indebtedness or repaying certain indebtedness, making investments, paying dividends, and entering into certain acquisitions, dispositions and joint ventures.

Additionally, the Term Loan requires that we meet certain financial maintenance covenants including a maximum Secured Leverage Ratio (as defined in the agreement) of 2.5:1.0 and a minimum Consolidated Interest Coverage Ratio (as defined in the agreement) of 3.0:1.0. As of September 30, 2011, we were in compliance with the covenant requirements of the Term Loan.

The Term Loan is subject to certain events of default applicable to Chemtura, the guarantors and their respective subsidiaries, including, nonpayment of principal, interest, fees or other amounts, violation of covenants, material inaccuracy of representations and warranties (including the existence of a material adverse event as defined in the agreement), cross-default to material indebtedness, certain events of bankruptcy and insolvency, material judgments, certain ERISA events, a change in control, and actual or asserted invalidity of liens or guarantees or any collateral document, in certain cases subject to the threshold amounts and grace periods set forth in the Term Loan agreement.

ABL Facility

Our obligations (and the obligations of the other borrowing subsidiaries) under the ABL Facility are guaranteed on a secured basis by all the guarantors (as defined in the agreement) that are not borrowers, and by certain of our future direct and indirect domestic subsidiaries. The obligations and guarantees under the ABL Facility are secured by (i) a first-priority security interest in the borrowers' and the guarantors' existing and future inventory and accounts receivable, together with general intangibles relating to inventory and accounts receivable, contract rights under agreements relating to inventory and accounts receivable, documents relating to inventory, supporting obligations and letter-of-credit rights relating to inventory and accounts receivable, instruments evidencing payment for inventory and accounts receivable; money, cash, cash equivalents, securities and other property held by the Administrative Agent or any lender under the ABL Facility; deposit accounts, credits and balances with any financial institution with which any borrower or any guarantor maintains deposits and which contain proceeds of, or collections on, inventory and accounts receivable; books, records and other property related to or referring to any of the foregoing and proceeds of any of the foregoing (the "Senior Asset Based Priority Collateral"); and (ii) a second-priority security interest in substantially all of the borrowers' and the guarantors' other assets, including (a) 100% of the capital stock of borrowers' and the guarantors' direct domestic subsidiaries held by the borrowers and the guarantors and 100% of the non-voting capital stock of the borrowers' and the guarantors' direct foreign subsidiaries held by the borrowers and the guarantors, and (b) 65% of the voting capital stock of the borrowers' and the guarantors' direct foreign subsidiaries (to the extent held by the borrowers and the guarantors), in each case subject to certain exceptions set forth in the ABL Facility agreement and the related loan documentation.

If, at the end of any business day, the amount of unrestricted cash and cash equivalents held by the borrowers and guarantors (excluding amounts in certain exempt accounts) exceeds $20 million in the aggregate, mandatory prepayments of the loans under the ABL Facility (and cash collateralization of outstanding letters of credit) are required on the following business day in an amount necessary to eliminate such excess (net of our known cash uses on the date of such prepayment and for the two business days thereafter).

The ABL Facility agreement contains certain affirmative and negative covenants (applicable to us, the other borrowing subsidiaries, the guarantors and their respective subsidiaries), including, without limitation, covenants requiring financial reporting and notices of certain events, and covenants imposing limitations on incurrence of indebtedness and guarantees; liens; loans and investments; asset dispositions; dividends, redemptions, and repurchases of stock and prepayments, redemptions and repurchases of certain indebtedness; mergers, consolidations, acquisitions, joint ventures or creation of subsidiaries; material changes in business; transactions with affiliates; restrictions on distributions from subsidiaries and granting of negative pledges; changes in accounting and reporting; sale leasebacks; and speculative transactions, and a springing financial covenant requiring a minimum trailing 12-month fixed charge coverage ratio (as defined in the agreement) of 1.1 to 1.0 at all times during any period from the date when the amount available for borrowings under the ABL Facility falls below the greater of (i) $34 million and (ii) 12.5% of the aggregate commitments to the date such available amount has been equal to or greater than the greater of (i) $34 million and (ii) 12.5% of the aggregate commitments for 45 consecutive days. As of September 30, 2011, we were in compliance with the covenant requirements of the ABL Facility.

The ABL Facility agreement contains certain events of default (applicable to us, the other borrowing subsidiaries, the guarantors and their respective subsidiaries), including nonpayment of principal, interest, fees or other amounts, violation of covenants, material inaccuracy of representations and warranties (including the existence of a material adverse event as defined in the agreement), cross-default to material indebtedness, certain events of bankruptcy and insolvency, material judgments, certain ERISA events, a change in control, and actual or asserted invalidity of liens or guarantees or any collateral document, in certain cases subject to the threshold amounts and grace periods set forth in the ABL Facility agreement.

On March 22, 2011, we entered into Amendment No. 1 to the ABL Facility which permits us to amend the Term Loan (and refinance those facilities in connection with such an amendment) to provide for principal amortization not exceeding 1% of the total principal amount of the Term Loan (such percentage calculated as of the date of any such amendment to the Term Loan). Amendment No. 1 also clarifies that we may, in connection with an otherwise permitted amendment to the Term Loan that refinances those facilities, increase the Term Loan up to the maximum amount permitted under the debt incurrence covenant contained in the ABL Facility.

At September 30, 2011, we had $20 million of borrowings under the ABL Facility and $14 million of outstanding letters of credit (primarily related to liabilities for insurance obligations and vendor deposits), which utilizes available capacity under the facility. At December 31, 2010, we had no borrowings under the ABL and $12 million of outstanding letters of credit. At September 30, 2011 and December 31, 2010, we had approximately $207 million and $185 million, respectively, of undrawn availability under the ABL Facility.

Accounts Receivable Financing Facility

On October 26, 2011, certain of our European subsidiaries (the “Sellers”) entered into a trade receivables financing facility (the “A/R Financing Facility”) with GE Factofrance SAS as purchaser (the “Purchaser”). Pursuant to the A/R Financing Facility, and subject to certain conditions stated therein, the Purchaser has agreed to purchase from the Sellers, on a revolving basis, certain trade receivables up to a maximum amount outstanding at any time of €68 million. The A/R Financing Facility is uncommitted and has an indefinite term. Since availability under the A/R Financing Facility is expected to vary depending on the value of the Seller’s eligible trade receivables, the Sellers’ availability under the A/R Financing Facility may increase or decrease from time to time. The monthly financing fee on the drawn portion of the A/R Financing Facility is the applicable Base Rate plus 1.50%. In addition, the A/R Financing Facility is subject to a minimum commission on the annual volume of transferred receivables. At October 31, 2011, we had no outstanding borrowings under the A/R Financing Facility.

8) INCOME TAXES

We reported an income tax provision from continuing operations of $13 million and an income tax benefit of $2 million for the quarters ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010 we reported an income tax provision from continuing operations of $10 million and $14 million, respectively. The tax provision reported for the nine months ended September 30, 2011 included a decrease in deferred foreign income taxes of approximately $17 million that had been recorded in an international jurisdiction in prior years and an increase in foreign income taxes of approximately $5 million relating to a foreign tax matter dating back to the 1990s. The $17 million tax benefit was recorded after receiving approval from the international jurisdiction to change our filing position. We have offset our current year-to-date U.S income with net operating loss carryforwards and reduced the associated valuation allowance. In the quarter and nine months ended September 30, 2010, we established a valuation allowance against the tax benefits associated with our 2010 U.S. net operating loss. We will continue to adjust our tax provision through the establishment or reduction of non-cash valuation allowances until we determine that it is more-likely than not that the net deferred tax assets associated with our U.S. operations will be utilized.

We have net liabilities related to unrecognized tax benefits of $47 million and $41 million at September 30, 2011 and December 31, 2010, respectively. The increase is primarily due to a foreign tax as discussed above.

We recognize interest and penalties related to unrecognized tax benefits as income tax expense. Accrued interest and penalties are included within the related liability captions in our Consolidated Balance Sheet.

We believe it is reasonably possible that our unrecognized tax benefits may decrease by approximately $19 million within the next year. This reduction may occur due to the expiration of the statute of limitations or conclusion of examinations by tax authorities. We further expect that the amount of unrecognized tax benefits will continue to change as a result of ongoing operations and the outcomes of audits. This change is not expected to have a significant impact on our financial condition.

9) COMPREHENSIVE INCOME (LOSS)

An analysis of comprehensive income (loss) follows:

	Quarters ended September 30,		Nine months ended September 30,	
(In millions)	2011	2010	2011	2010
Net earnings (loss)	$ 9	$ 8	$ 86	$ (219)
Other comprehensive (loss) income, (net of tax):				
Foreign currency translation adjustments	(64)	59	(20)	(24)
Unrecognized pension and other post-retirement benefit costs	3	(1)	6	29
Comprehensive (loss) income	(52)	66	72	(214)
Comprehensive income attributable to the non-controlling interest	-	-	(1)	(1)
Comprehensive (loss) income attributable to Chemtura	$ (52)	$ 66	$ 71	$ (215)

The components of accumulated other comprehensive loss ("AOCL"), net of tax at September 30, 2011 and December 31, 2010, are as follows:

(In millions)	September 30, 2011	December 31, 2010
Foreign currency translation adjustments	$ 68	$ 88
Unrecognized pension and other post-retirement benefit costs	(358)	(364)
Accumulated other comprehensive loss	$ (290)	$ (276)

10) EARNINGS (LOSS) PER COMMON SHARE

The computation of basic earnings (loss) per common share is based on the weighted average number of common shares outstanding. The computation of diluted earnings (loss) per common share is based on the weighted average number of common and common share equivalents outstanding.

The following is a reconciliation of the shares used in the computation of earnings (loss) per share:

(In millions)	Quarters ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Weighted average shares outstanding - Basic	100.3	242.9	100.2	242.9
Dilutive effect of common share equivalents	0.2	-	0.2	-
Weighted average shares outstanding - Diluted	100.5	242.9	100.4	242.9

Upon the Effective Date of our Plan, all previously outstanding shares of common stock were cancelled. There were 98.2 million new shares issued at September 30, 2011. The weighted average shares for the quarter and nine months ended September 30, 2010 was based upon 243 million of old shares. As a result, the average shares outstanding of our New Common Stock for the quarter and nine months ended September 30, 2011 are not comparable to the prior year. The weighted average common shares outstanding for the quarter and nine months ended September 30, 2011 include shares of common stock reserved for future issuances under the Plan as disputed claims are settled. As of September 30, 2011, 2.1 million shares are available for future distribution under the Plan.

1.0 million bonus units with a performance criteria and 0.3 million restricted stock units (“RSUs”) with a performance criteria at September 30, 2011 and 2010, respectively, were also excluded from the calculation of diluted earnings (loss) per share because the specified performance criteria for the vesting of these units had not yet been met. The bonus units could be dilutive in the future if the specified performance criteria are met.

On October 18, 2011, we announced that our Board of Directors (the “Board”) had authorized us to repurchase up to $50 million of our common stock over the next twelve months. The shares are expected to be repurchased from time to time through open market purchases. The program, which does not obligate us to repurchase any particular amount of common stock, may be modified or suspended at any time at the Board’s discretion. The manner, price, number and timing of such repurchases, if any, will be subject to a variety of factors, including market conditions and the applicable rules and regulations of the Securities and Exchange Commission (“SEC”).

11) STOCK-BASED COMPENSATION

In 2010, we adopted the Chemtura Corporation 2010 Long-Term Incentive Plan (the “2010 LTIP”), which was approved by the Bankruptcy Court and became effective upon our emergence from Chapter 11. All stock-based compensation plans existing prior to the Effective Date were terminated and any unvested or unexercised shares associated with these plans were cancelled. The 2010 LTIP provides for grants of nonqualified stock options (“NQOs”), incentive stock options (“ISOs”), stock appreciation rights, dividend equivalent rights, stock units, bonus stock, performance awards, share awards, restricted stock, time-based RSUs and performance-based RSUs. The 2010 LTIP provides for the issuance of a maximum of 11 million shares. NQOs and ISOs may be granted under the 2010 LTIP at prices equal to the fair market value of the underlying common shares on the date of the grant. All outstanding stock options will expire not more than ten years from the date of the grant. As of September 30, 2011, grants authorized under the 2010 LTIP are being administered through the various award plans that are described below as the 2009 Emergence Incentive Plan (the “2009 EIP”), the 2010 Emergence Incentive Plan (the “2010 EIP”), the 2011 Long-Term Incentive Plan (the “2011 LTIP”) and the 2010 Emergence Award Plan (the “2010 EAP”), as well as other grants made to the Board of Directors.

Stock-based compensation expense, including amounts for time-based RSU's, NQOs and the 2010 EAP, was $6 million and $22 million for the quarter and nine months ended September 30, 201, respectively. Stock-based compensation expense for the quarter and nine months ended September 30, 2010 was $1 million. Stock-based compensation expense was primarily reported in SG&A.

Stock Option Plans

In November 2010, we granted under the EIP Settlement Plan approved by the Bankruptcy Court ("EIP Settlement Plan") 0.8 million NQOs relating to the 2009 EIP with an exercise price equal to the fair market value of the underlying common stock on the date of grant. One third of the NQOs vested immediately upon emergence from Chapter 11, one third vested on March 31, 2011 and one third vests on March 31, 2012.

In March 2011, we granted under the EIP Settlement Plan 0.8 million NQOs relating to the 2010 EIP with an exercise price equal to the fair market value of the underlying common stock at the date of grant. One third vested immediately, one third vests on March 31, 2012 and one third vests on March 31, 2013.

In March 2011, our Board of Directors approved the grant of 1.4 million NQOs under our 2011 LTIP. These options will vest ratably over a three-year period.

We use the Black-Scholes option-pricing model to determine the fair value of NQOs. We have elected to recognize compensation cost for awards of NQOs equally over the requisite service period for each separately vesting tranche, as if multiple awards were granted. Using this method, the weighted average fair value of stock options granted during the nine months ended September 30, 2011 was $8.39.

Total remaining unrecognized compensation expense associated with unvested NQOs at September 30, 2011 was $11 million, which will be recognized over the weighted average period of approximately 2 years.

Restricted Stock Units

In November 2010, we granted under the EIP Settlement Plan 0.4 million time-based RSU's relating to the 2009 EIP with a fair market value of the quoted closing price of our stock on that date. One third vested immediately, one third vested on March 31, 2011 and one third vests on March 31, 2012.

In February 2011, we granted 0.1 million time-based RSU's to non-employee directors with a fair market value of the quoted closing price of our stock on that date. These RSU's will vest ratably over a two-year period.

In March 2011, we granted under the EIP Settlement Plan 0.4 million time-based RSU's relating to the 2010 EIP with a fair market value of the quoted closing price of our stock on that date. One third vested immediately, one third vests on March 31, 2012 and one third vests on March 31, 2013.

In March 2011, our Board of Directors approved the grant of 0.4 million time-based RSU's under our 2011 LTIP. These RSU's will vest ratably over a three-year period.

In March 2011, we granted performance based bonus units under the 2010 EAP, which was previously approved by the Bankruptcy Court and carries a performance condition requirement. This performance award provides designated participants the opportunity to receive fully vested shares of common stock upon the achievement of specified consolidated earnings before interest, taxes, depreciation and amortization expense ("EBITDA") during the fiscal year 2011. Results of EBITDA will be adjusted to exclude certain categories of income and expense as defined in the 2010 EAP. Shares are awarded based upon the achievement against the performance goal and will vest and be distributed to the participants in March 2012.

Total remaining unrecognized compensation expense associated with unvested time-based RSU's and the 2010 EAP bonus units at September 30, 2011 was $16 million, which will be recognized over the weighted average period of approximately 1 year.

12) PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Components of our defined benefit plans net periodic benefit (credit) cost for the quarters and nine months ended September 30, 2011 and 2010 are as follows:

	Defined Benefit Plans					
	Qualified U.S. Plans		International and Non-Qualified Plans		Post-Retirement Health Care Plans	
	Quarters ended September 30,		Quarters ended September 30,		Quarters ended September 30,	
(In millions)	2011	2010	2011	2010	2011	2010
Service cost	$ 1	$ -	$ -	$ -	$ -	$ -
Interest cost	11	12	5	6	1	1
Expected return on plan assets	(14)	(14)	(4)	(5)	-	-
Amortization of prior service cost	3	-	1	-	-	(1)
Amortization of actuarial losses	-	2	-	1	(1)	1
Net periodic benefit cost	$ 1	$ -	$ 2	$ 2	$ -	$ 1

	Defined Benefit Plans					
	Qualified U.S. Plans		International and Non-Qualified Plans		Post-Retirement Health Care Plans	
	Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,	
(In millions)	2011	2010	2011	2010	2011	2010
Service cost	$ 1	$ -	$ 2	$ 2	$ 1	$ -
Interest cost	34	36	16	17	3	5
Expected return on plan assets	(42)	(42)	(13)	(14)	-	-
Amortization of prior service cost	9	-	2	-	1	(3)
Amortization of actuarial losses	-	6	-	1	(4)	2
Net periodic benefit cost	$ 2	$ -	$ 7	$ 6	$ 1	$ 4

We contributed $14 million to our U.S. qualified pension plans, $3 million to our U.S. non-qualified pension plans and $58 million to our international pension plans for the nine months ended September 30, 2011. Contributions to post-retirement health care plans for the nine months ended September 30, 2011 were $8 million.

In 2009, the Bankruptcy Court authorized us to modify certain benefits under our sponsored post-retirement health care plans. In March 2010, certain participants of these plans were notified of the amendments to their benefits. As a result of these amendments, we recognized a $23 million decrease in our U.S. post-retirement health care plan obligations during the quarter ended March 31, 2010, with the offset reflected within AOCL.

On April 5, 2010, the Bankruptcy Court entered an order denying certain Uniroyal non-union salaried retirees' (the "Uniroyal Salaried Retirees") motion to reconsider the Bankruptcy Court's 2009 order authorizing the modification of certain benefits under our post-retirement health care plans. On April 8, 2010, the Uniroyal Salaried Retirees appealed the Bankruptcy Court's April 5, 2010 order. On April 14, 2010, the Uniroyal Salaried Retirees sought a stay of the Bankruptcy Court's 2009 order as to our modification of their retiree benefits pending their appeal. On April 21, 2010, the Bankruptcy Court ordered us not to modify the retiree benefits for the Uniroyal Salaried Retirees, pending a hearing and a decision as to the stay. After consulting with the official committees of unsecured creditors and equity security holders, we requested that the Bankruptcy Court have a hearing to decide, as a matter of law, whether we have the right to modify the post-retirement health care plan benefits of the Uniroyal Salaried Retirees as requested in 2009. No decision has been made on this matter as of September 30, 2011 as the hearing has been postponed until November 9, 2011.

One of our U.K. subsidiaries has entered into definitive agreements with the Trustees of the Great Lakes U.K. Pension Plan (the "UK Pension Plan," or collectively the "UK Pension Trustees") on the terms of additional cash contributions to be made to its defined benefit pension plan to reduce its underfunding over time. The agreements provide, among other things, for Chemtura Manufacturing U.K. Limited ("CMUK") to make cash contributions of £60 million (approximately $95 million) in just over a three year period starting with the initial contribution of £30 million ($49 million) that we made in the second quarter of 2011. The agreements also provide for the granting of both a security interest and a guarantee to support certain of the liabilities under this pension plan. There is also an evaluation being undertaken as to whether an additional funding liability exists in connection with the equalization of certain benefits under the UK Pension Plan that occurred in the early 1990s. If such an additional liability exists, additional cash contributions may be required starting in 2013.

13) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Our activities expose our earnings, cash flows and financial condition to a variety of market risks, including the effects of changes in foreign currency exchange rates, interest rates and energy prices. We maintain a risk management strategy that may utilize derivative instruments to mitigate risk against foreign currency movements and to manage energy price volatility. In accordance with ASC Topic 815, Derivatives and Hedging ("ASC 815"), we recognize in AOCL any changes in the fair value of all derivatives designated as cash flow hedging instruments. We do not enter into derivative instruments for trading or speculative purposes.

We have exposure to changes in foreign currency exchange rates resulting from transactions entered into by us and our foreign subsidiaries in currencies other than their functional currency (primarily trade payables and receivables). We are also exposed to currency risk on intercompany transactions (including intercompany loans). We manage these currency risks on a consolidated basis, which allows us to net our exposure. Prior to our Chapter 11 filing we purchased foreign currency forward contracts to manage our exposure. However, as a result of the changes in our financial condition and our financing agreements, we were unable to continue our prior practice during the course of our Chapter 11 proceedings. The financing agreements that we entered into in connection with our emergence from Chapter 11 permit us to purchase contracts and derivatives to manage foreign exchange and other financial risks subject to certain limitations.

14) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial Instruments

The carrying amounts for cash and cash equivalents, accounts receivable, other current assets, accounts payable and other current liabilities, approximate their fair value because of the short-term maturities of these instruments. The fair value of debt is based primarily on quoted market values. For debt that has no quoted market value, the fair value is estimated by discounting projected future cash flows using our incremental borrowing rate.

The following table presents the carrying amounts and estimated fair values of material financial instruments used by us in the normal course of business:

	As of September 30, 2011		As of December 31, 2010	
(In millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	$ 775	$ 779	$ 751	$ 786

Fair Value Measurements

We apply the provisions of ASC 820 with respect to our financial assets and liabilities that are measured at fair value within the financial statements on a recurring basis. ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The fair value hierarchy specified by ASC 820 is as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable

market date.

- Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets and liabilities.

Level 1 fair value measurements in 2011 and 2010 included securities related to the supplemental savings plan. These securities are considered our general assets until distributed to the participant and are included in other assets in our Consolidated Balance Sheets. A corresponding liability is included in other liabilities at September 30, 2011 and December 31, 2010 in our Consolidated Balance Sheets. Quoted market prices were used to determine fair values of the Level 1 investments held in a trust with a third-party brokerage firm. The fair value of the asset and corresponding liability was $1 million at September 30, 2011 and December 31, 2010. For the nine months ended September 30, 2011, there were no transfers into or out of Levels 1 and 2.

Level 3 fair value measurements are utilized in our impairment reviews of Goodwill (see Note 6 – Goodwill and Intangible Assets). Level 1, 2 and 3 fair value measurements are utilized for defined benefit plan assets in determining the funded status of our pension and post-retirement benefit plan liabilities on an annual basis (at December 31).

15) ASSET RETIREMENT OBLIGATIONS

We apply the provisions of accounting guidance codified under ASC Topic 410, Asset Retirements and Environmental Obligations ("ASC 410"), which require companies to make estimates regarding future events in order to record a liability for asset retirement obligations in the period in which a legal obligation is created. Such liabilities are recorded at fair value, with an offsetting increase to the carrying value of the related long-lived assets. The fair value is estimated by discounting projected cash flows over the estimated life of the assets using our credit adjusted risk-free rate applicable at the time the obligation is initially recorded. In future periods, the liability is accreted to its present value and the capitalized cost is depreciated over the useful life of the related asset. We also adjust the liability for changes resulting from revisions to the timing of future cash flows or the amount of the original estimate. Upon retirement of the long-lived asset, we either settle the obligation for its recorded amount or incur a gain or loss.

Our asset retirement obligations include estimates for all asset retirement obligations identified for our worldwide facilities. Our asset retirement obligations are primarily the result of legal obligations for the removal of leasehold improvements and restoration of premises to their original condition upon termination of leases at approximately 24 facilities; legal obligations to close approximately 92 brine supply, brine disposal, waste disposal, and hazardous waste injection wells and the related pipelines at the end of their useful lives; and decommissioning and decontamination obligations that are legally required to be fulfilled upon closure of approximately 32 of our manufacturing facilities.

The following is a summary of the change in the carrying amount of the asset retirement obligations for the quarters and nine months ended September 30, 2011 and 2010 and the net book value of assets related to the asset retirement obligations at September 30, 2011 and 2010:

	Quarters ended September 30,		Nine months ended September 30,	
(In millions)	2011	2010	2011	2010
Asset retirement obligation balance at beginning of period	$ 21	$ 26	$ 23	$ 26
Accretion expense (income) – cost of goods sold (a)	1	-	(1)	1
Revisions related to sold businesses (b)	-	(2)	-	(2)
Payments	(1)	-	(2)	(1)
Reclassifications (c)	-	-	1	-
Asset retirement obligation balance at end of period	$ 21	$ 24	$ 21	$ 24
Net book value of asset retirement obligation assets at end of period	$ 1	$ 1	$ 1	$ 1

(a) The accretion reversal for the nine months ended September 30, 2010 was primarily due to the extension of the retirement dates for various pipelines and wells related to the El Dorado, Arkansas facility.
(b) Includes the reversal of asset retirement obligations related to the sale of our natural sodium sulfonates and oxidized petroletum business in July 2010.

(c) Represents a reclassification of asset retirement costs that were previously recorded in another accrued expense account.

Depreciation expense for the quarters and nine months ended September 30, 2011 and 2010 was less than $1 million.

At September 30, 2011 and December 31, 2010, $4 million and $11 million, respectively of asset retirement obligations were included in accrued expenses and $17 million and $12 million, respectively, were included in other liabilities on the Consolidated Balance Sheet.

16) RESTRUCTURING ACTIVITIES

Reorganization Initiatives

In 2009, the Bankruptcy Court approved the implementation of certain cost savings and growth initiatives, including the closure of a manufacturing facility in Ashley, IN, the consolidation of warehouses related to our Consumer Products segment, the reduction of leased space at two of our U.S. office facilities, and the rejection of various unfavorable contracts. Additionally, on January 25, 2010, our Board of Directors approved an initiative involving the consolidation and idling of certain assets within the Great Lakes Solutions business operations in El Dorado, Arkansas, which was approved by the Bankruptcy Court on February 23, 2010 and was expected to be substantially completed by the first half of 2012. During 2010, the demand for brominated products used in electronic applications grew significantly. With the evidence that demand has started to recover for our products used in oil and gas applications in the Gulf of Mexico as well as insulation and furniture foam applications, and recognizing the emerging demand for mercury removal applications, it has become evident that we will need to produce larger quantities of bromine than were projected when we formulated our consolidation plan. In addition, our partner informed us that they will exercise their right to purchase our interest in a joint venture in the Middle East that supplies a brominated flame retardant to us. While under the terms of the joint venture agreement, the purchaser is obligated to continue to supply the current volumes of the brominated flame retardant to us for two years following the acquisition, we need to plan for the ultimate production of this product. Under the terms of the joint venture agreement, we expect to receive payments over time for our interest in the joint venture, which will assist in defraying the cost of any required capacity addition that we may be required to make. Our analysis has indicated that the most cost effective source of the additional bromine we require is to continue to operate many of the bromine assets we had planned to idle and to invest to improve their operating efficiency. In light of this analysis, on April 20, 2011, our Board of Directors confirmed that we should defer a portion of the El Dorado restructuring plan and continue to operate certain of the bromine and brine assets that were planned to be idled.

As a result of our reorganization initiatives, we recorded pre-tax charges of $2 million for the nine months ended September 30, 2011 primarily for asset impairments and accelerated depreciation. We recorded pre-tax charges of $32 million for the nine months ended September 30, 2010 ($4 million was recorded to reorganization items, net for severance, asset relocation costs and contract termination costs, $26 million was recorded to depreciation and amortization for accelerated depreciation, and $2 million was recorded to cost of goods sold ("COGS") for accelerated asset retirement obligations and asset write-offs).

Corporate Restructuring Programs

In March 2010, we approved a restructuring plan to consolidate certain corporate functions internationally to gain efficiencies and reduce costs. As a result of this plan, we recorded a pre-tax charge of $1 million for severance, facility closures and related costs for the nine months ended September 30, 2010.

The reserve balances for all of our reorganization initiatives and corporate restructuring programs of less than a million and $1 million at September 30, 2011 and December 31, 2010, respectively, were included in accrued expenses.

17) LEGAL PROCEEDINGS AND CONTINGENCIES

We are involved in claims, litigation, administrative proceedings and investigations of various types in a number of jurisdictions. A number of such matters involve, or may involve, claims for a material amount of damages and relate to or allege environmental liabilities, including clean-up costs associated with hazardous waste disposal sites, natural resource damages, property damage and personal injury.

As a result of the Chapter 11 cases, substantially all prepetition litigation and claims against us and our subsidiaries that were Debtors in the Chapter 11 cases have been discharged and permanently enjoined from further prosecution and are described below under the subheading “Prepetition Litigation and Claims Discharged Under the Plan”.

Claims and legal actions asserted against non-Debtors or relating to events occurring after the Effective Date, certain regulatory and administrative proceedings and certain contractual and other claims assumed with the authorization of the Bankruptcy Court, were not discharged in the Chapter 11 cases and are described below under the subheading “Litigation and Claims Not Discharged Under the Plan”.

Prepetition Litigation and Claims Discharged Under the Plan

Chapter 11 Plan and Establishment of Claims Reserves

On March 18, 2009, the Debtors filed voluntary petitions in the Bankruptcy Court seeking relief under Chapter 11 of the Bankruptcy Code. The Debtors’ Chapter 11 cases were assigned to the Honorable Robert E. Gerber and are being jointly administered as Case No. 09-11233. The Debtors continued to operate their business as debtors in possession under the jurisdiction of the Bankruptcy Court until their emergence from Chapter 11 on November 10, 2010. On June 10, 2011, we filed a closing report in Chemtura Canada’s Chapter 11 case and a motion seeking a final decree closing the Chapter 11 case. On June 23, 2011, the Bankruptcy Court granted our motion and entered a final decree closing the Chapter 11 case of Chemtura Canada.

Pursuant to the Plan, and by orders of the Bankruptcy Court dated September 24, 2010, October 19, 2010 and October 29, 2010, the Debtors established the Diacetyl Reserve, the Environmental Reserve and the Disputed Claims Reserve, each as defined in the Plan, on account of claims that were not yet allowed in the Chapter 11 cases as of the Effective Date, including proofs of claim asserted against the Debtors that were subject to objection as of the Effective Date (the “Disputed Claims”). The Diacetyl Reserve was approved by the Bankruptcy Court in the amount of $7 million, comprised of separate segregated reserves, and has since been reduced as settlement agreements have been approved by the Bankruptcy Court. The Environmental Reserve was approved by the Bankruptcy Court in the amount of $38 million, a portion of which was further segregated into certain separate reserves established to account for settlements that were pending Bankruptcy Court approval, and has since been reduced as settlement agreements have been approved by the Bankruptcy Court. The Disputed Claims Reserve was approved by the Bankruptcy Court in the amount of $42 million, plus additional segregated individual reserves for certain creditors' claims in the aggregate amount of approximately $30 million, all of which have been reduced as settlement agreements have been approved by the Bankruptcy Court.

On June 24, 2011, we resolved the last disputed environmental claim. As a result, under the Plan, the amounts remaining in the Environmental Reserve were transferred to the Disputed Claims Reserve. Any remaining Disputed Claims, to the extent they are ultimately allowed by the Bankruptcy Court, will be satisfied (to the extent allowed and not covered by insurance) from the Disputed Claims Reserve, and holders of the Disputed Claims are permanently enjoined under the Plan from pursuing their claims against us. As of September 30, 2011, as a result of distributions pursuant to the Plan, there were no remaining undisbursed amount in the Environmental Reserve, the Diacetyl Reserve or the segregated reserves, and the remaining undisbursed amount in the Disputed Claims Reserve was $29 million.

On September 21, 2011, the Bankruptcy Court approved a settlement agreement between us and ACE American Insurance Company and its affiliates (collectively, “ACE”) pursuant to which, among other things, ACE agreed to pay to us collateral funds that ACE had been holding to secure the Debtors’ obligations under certain deductible insurance policies, and we agreed to deposit such funds immediately into the Disputed Claims Reserve. On October 6, 2011, the settlement agreement between us and ACE became effective. On October 14, 2011, ACE paid to us approximately $7 million in accordance with the settlement agreement, which we deposited into the Disputed Claims Reserve.

As we complete the process of evaluating and/or resolving the Disputed Claims, appropriate adjustments to our Consolidated Financial Statements will be made. Adjustments may also result from actions of the Bankruptcy Court, settlement negotiations, and other events.

Australian Civil Antitrust Matters

On September 27, 2007, Chemtura and one of our subsidiaries who did not file a Chapter 11 case, as well as Bayer AG and Bayer Australia Ltd., were sued by Wright Rubber Products Pty Ltd. (“Wright&#822