

Chemtura CORP  
Form 10-Q  
November 04, 2013  
[Table of Contents](#)

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

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

For the quarterly period ended September 30, 2013

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)

Edgar Filing: Chemtura CORP - Form 10-Q

**Delaware**  
(State or other jurisdiction of incorporation or  
organization)

**52-2183153**  
(I.R.S. Employer Identification Number)

**1818 Market Street, Suite 3700, Philadelphia, Pennsylvania**

**19103**

**199 Benson Road, Middlebury, Connecticut**  
(Address of principal executive offices)

**06749**  
(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.  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).  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

Non-accelerated filer   
(Do not check if smaller reporting company)

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  No

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

Edgar Filing: Chemtura CORP - Form 10-Q

**Class**  
Common Stock - \$.01 par value

**Number of shares outstanding at  
September 30, 2013**  
96,467,574

---

Table of Contents

**CHEMTURA CORPORATION AND SUBSIDIARIES**

**FORM 10-Q**

**FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2013**

<b>INDEX</b>		<b>PAGE</b>
<b><u>PART I.</u></b>	<b><u>FINANCIAL INFORMATION</u></b>	<b>2</b>
<b><u>ITEM 1.</u></b>	<b><u>Financial Statements</u></b>	<b>2</b>
	<b><u>Consolidated Statements of Operations (Unaudited)</u></b>	<b>2</b>
	<b><u>Consolidated Statements of Comprehensive (Loss) Income (Unaudited)</u></b>	<b>3</b>
	<b><u>Consolidated Balance Sheets (Unaudited)</u></b>	<b>4</b>
	<b><u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u></b>	<b>5</b>
	<b><u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)</u></b>	<b>6</b>
<b><u>ITEM 2.</u></b>	<b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<b>37</b>
<b><u>ITEM 3.</u></b>	<b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b>	<b>52</b>
<b><u>ITEM 4.</u></b>	<b><u>Controls and Procedures</u></b>	<b>53</b>
<b><u>PART II.</u></b>	<b><u>OTHER INFORMATION</u></b>	<b>54</b>
<b><u>ITEM 1.</u></b>	<b><u>Legal Proceedings</u></b>	<b>54</b>
<b><u>ITEM 1A.</u></b>	<b><u>Risk Factors</u></b>	<b>54</b>
<b><u>ITEM 2.</u></b>	<b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	<b>54</b>
<b><u>ITEM 4.</u></b>	<b><u>Mine Safety Disclosure</u></b>	<b>55</b>
<b><u>ITEM 5.</u></b>	<b><u>Other Information</u></b>	<b>55</b>
<b><u>ITEM 6.</u></b>	<b><u>Exhibits</u></b>	<b>55</b>
<b><u>SIGNATURE</u></b>		<b>56</b>

---

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****CHEMTURA CORPORATION AND SUBSIDIARIES****Consolidated Statements of Operations (Unaudited)****Quarters and nine months ended September 30, 2013 and 2012***(In millions, except per share data)*

	Quarters ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net sales	\$ 569	\$ 546	\$ 1,687	\$ 1,663
Cost of goods sold	448	398	1,310	1,209
Selling, general and administrative	58	60	169	182
Depreciation and amortization	24	26	76	75
Research and development	9	10	27	31
Facility closures, severance and related costs	3	2	28	8
Changes in estimates related to expected allowable claims		(1)		1
Equity loss		1	3	3
Operating income	27	50	74	154
Interest expense	(14)	(17)	(45)	(47)
Loss on early extinguishment of debt	(50)		(50)	
Other (expense) income, net	(4)	(5)	11	(3)
Reorganization items, net		(1)	(1)	(4)
(Loss) earnings from continuing operations before income taxes	(41)	27	(11)	100
Income tax expense	(3)	(5)	(24)	(16)
(Loss) earnings from continuing operations	(44)	22	(35)	84
Earnings (loss) from discontinued operations, net of tax	7	(15)	28	(4)
Loss on sale of discontinued operations, net of tax	(3)		(149)	
Net (loss) earnings	(40)	7	(156)	80
Less: Net loss attributed to non-controlling interests		2		1
Net (loss) earnings attributable to Chemtura	\$ (40)	\$ 9	\$ (156)	\$ 81
<b>Basic per share information - attributable to Chemtura</b>				
(Loss) earnings from continuing operations	\$ (0.45)	\$ 0.22	\$ (0.36)	\$ 0.85
Earnings (loss) from discontinued operations, net of tax	0.07	(0.13)	0.29	(0.03)
Loss on sale of discontinued operations, net of tax	(0.03)		(1.52)	

Edgar Filing: Chemtura CORP - Form 10-Q

Net (loss) earnings attributable to Chemtura	\$	(0.41)	\$	0.09	\$	(1.59)	\$	0.82
<u>Diluted per share information - attributable to Chemtura</u>								
(Loss) earnings from continuing operations	\$	(0.45)	\$	0.22	\$	(0.36)	\$	0.85
Earnings (loss) from discontinued operations, net of tax		0.07		(0.13)		0.29		(0.03)
Loss on sale of discontinued operations, net of tax		(0.03)				(1.52)		
Net (loss) earnings attributable to Chemtura	\$	(0.41)	\$	0.09	\$	(1.59)	\$	0.82
Weighted average shares outstanding - Basic		97.5		97.9		98.1		98.4
Weighted average shares outstanding - Diluted		97.5		98.2		98.1		98.8

See accompanying notes to Consolidated Financial Statements.

Table of Contents**CHEMTURA CORPORATION AND SUBSIDIARIES****Consolidated Statements of Comprehensive (Loss) Income (Unaudited)****Quarters and nine months ended September 30, 2013 and 2012***(In millions)*

	Quarters ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net (loss) earnings	\$ (40)	\$ 7	\$ (156)	\$ 80
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustments	25	37	(16)	15
Unrecognized pension and other post-retirement benefit costs	5	7	142	6
Comprehensive (loss) income	(10)	51	(30)	101
Comprehensive loss attributable to non-controlling interests		2		1
Comprehensive (loss) income attributable to Chemtura	\$ (10)	\$ 53	\$ (30)	\$ 102

See accompanying notes to Consolidated Financial Statements

Table of Contents**CHEMTURA CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets****September 30, 2013 (Unaudited) and December 31, 2012***(In millions, except par value data)*

	September 30, 2013 (unaudited)	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 311	\$ 363
Accounts receivable, net	386	345
Inventories, net	428	398
Other current assets	137	123
Current assets of discontinued operations	390	383
Total current assets	1,652	1,612
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment, net	716	655
Goodwill	177	177
Intangible assets, net	138	146
Other assets	161	169
Non-current assets of discontinued operations		271
Total assets	\$ 2,844	\$ 3,030
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Short-term borrowings	\$ 2	\$ 5
Accounts payable	172	152
Accrued expenses	189	178
Income taxes payable	7	8
Current liabilities of discontinued operations	124	168
Total current liabilities	494	511
<b>NON-CURRENT LIABILITIES</b>		
Long-term debt	892	871
Pension and post-retirement health care liabilities	323	386
Other liabilities	138	109
Non-current liabilities of discontinued operations		85
Total liabilities	1,847	1,962
<b>STOCKHOLDERS' EQUITY</b>		
Common stock - \$0.01 par value Authorized - 500.0 shares Issued - 100.5 shares at September 30, 2013 and 100.4 shares at December 31, 2012	1	1
Additional paid-in capital	4,373	4,366
Accumulated deficit	(3,004)	(2,848)
Accumulated other comprehensive loss	(302)	(428)
Treasury stock- at cost - 4.0 shares at September 30, 2013 and 2.4 shares at December 31, 2012	(72)	(30)
Total Chemtura stockholders' equity	996	1,061
Non-controlling interest - continuing operations	1	
Non-controlling interest - discontinued operations		7
Total Non-controlling interest	1	7
Total stockholders' equity	997	1,068

Edgar Filing: Chemtura CORP - Form 10-Q

Total liabilities and stockholders' equity	\$	2,844	\$	3,030
--	----	-------	----	-------

See accompanying notes to Consolidated Financial Statements.

Table of Contents**CHEMTURA CORPORATION AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows (Unaudited)****Nine months ended September 30, 2013 and 2012***(In millions)*

	<b>Nine months ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
<b><u>Increase (decrease) in cash</u></b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) earnings	\$ (156)	\$ 80
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Loss on sale of discontinued operations	149	
Impairment charges		36
Release of cumulative translation adjustment from liquidation of entities	(15)	
Loss on early extinguishment of debt	50	
Depreciation and amortization	93	104
Stock-based compensation expense	11	14
Reorganization items, net		1
Changes in estimates related to expected allowable claims		1
Equity loss (income)	1	(2)
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable	(29)	(33)
Inventories	(29)	(23)
Accounts payable	24	36
Pension and post-retirement health care liabilities	(43)	(71)
Other	3	(32)
Net cash provided by operating activities	59	111
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from divestments, net	91	9
Payments for acquisitions	(3)	
Capital expenditures	(124)	(94)
Net cash used in investing activities	(36)	(85)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from 2021 Senior Notes	450	
Payments on 2018 Senior Notes, includes premium on tendering of notes	(395)	
Payments on Term Loan	(102)	
Proceeds from A/R Financing Facility, net		2
Proceeds from other long-term borrowings	27	
Payments on other long-term borrowings	(3)	
Payments on other short-term borrowings, net	(1)	(3)
Common shares acquired	(50)	(20)
Payment for debt issuance costs	(8)	(1)
Proceeds from exercise of stock options	6	2
Net cash used in financing activities	(76)	(20)
<b>CASH AND CASH EQUIVALENTS</b>		
Effect of exchange rates on cash and cash equivalents	(1)	1
Change in cash and cash equivalents	(54)	7
Cash and cash equivalents at beginning of period	365	180
Cash and cash equivalents at end of period	\$ 311	\$ 187
Cash and cash equivalents at end of period - Continuing operations	\$ 311	\$ 186

Edgar Filing: Chemtura CORP - Form 10-Q

Cash and cash equivalents at end of period - Discontinued operations	\$	\$	1
--	----	----	---

See accompanying notes to Consolidated Financial Statements.

Table of Contents

**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 together with our consolidated subsidiaries, is dedicated to delivering innovative, application-focused specialty chemicals. 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, and transportation.

When we use the terms Corporation, Company, Chemtura, Registrant, We, Us and Our, unless otherwise indicated or 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 the Crompton Loom Works incorporated in the 1840s. We 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, 2013 and 2012 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.

## Edgar Filing: Chemtura CORP - Form 10-Q

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.

Certain prior year amounts have been reclassified to conform to the current year s presentation of discontinued operations (see Note 2 - Acquisitions and Divestitures). These changes did not have a material impact on previously reported results of operations, cash flows or financial position.

We operated as a debtor-in-possession ( DIP ) under the protection of the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court ) from March 18, 2009 (the Petition Date ) through November 10, 2010 (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 voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the Chapter 11 ) filings, 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 expenses for losses that are realized or incurred in the Chapter 11 cases are recorded in Reorganization items, net in our Consolidated Statements of Operations. As of September 30, 2013, the Bankruptcy Court has entered orders granting final decrees closing all of the Debtors Chapter 11 cases except the Chapter 11 case of Chemtura Corporation.

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, 2012 (the 2012 Annual Report on Form 10-K ). The consolidated results of operations for the quarter and nine months ended September 30, 2013 are not necessarily indicative of the results expected for the full year.

Table of Contents

**Accounting Policies and Other Items**

Cash and cash equivalents include bank term deposits with original maturities of three months or less.

Included in accounts receivable are allowances for doubtful accounts of \$12 million and \$11 million as of September 30, 2013 and December 31, 2012.

During the nine months ended September 30, 2013 and 2012, we made cash interest payments of approximately \$52 million. During the nine months ended September 30, 2013 and 2012, we made cash payments for income taxes (net of refunds) of \$15 million and \$29 million, respectively.

**Recent Accounting Pronouncements**

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ( ASU 2013-02 ). The guidance in ASU 2013-02 requires an organization to present the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the item reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. The guidance in ASU 2013-02 is effective for fiscal years beginning after December 15, 2012. The adoption of this guidance did not have a material impact on our results of operations or financial position because it only provides for enhanced disclosure requirements. Accordingly, we have included the enhanced footnote disclosure (see Note 9 - Accumulated Other Comprehensive Loss).

In March 2013, the FASB issued ASU 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*( ASU 2013-05 ). The amendments in ASU 2013-05 address the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The amendments are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013 (early adoption is permitted). We do not anticipate the adoption of this amendment will have a material impact on our financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, providing guidance on the presentation of unrecognized tax benefits in the financial statements as either a reduction to a deferred tax asset or either a liability to better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses or tax credit carryforwards exist. The amendments in this ASU do not require new recurring disclosures. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments in this ASU should be applied prospectively to all unrecognized tax benefits that exist at the effective date. We do not expect the adoption of the amendments in this ASU will have a significant impact on our financial statements.

2) **ACQUISITIONS AND DIVESTITURES**

**Acquisitions**

*Solaris Acquisition*

On September 26, 2012, we announced that we entered into a Business Transfer Agreement ( BTA ) with Solaris ChemTech Industries Limited ( Solaris ChemTech ), an Indian Company, and Avantha Holdings Limited, an Indian Company and the parent company of Solaris ChemTech (collectively, Solaris ). As provided in the BTA, we have agreed to purchase from Solaris certain assets used in the manufacture and distribution of bromine and bromine chemicals for cash consideration of \$142 million and the assumption of certain liabilities. The purchase price is subject to a post-closing net working capital adjustment. The transaction is subject to, among other things, receiving governmental approval for the transfer of rights to the brine resources from which bromine is extracted. The transaction is expected to close upon receipt of those approvals, the date of which is not yet known. The parties are presently discussing alternative transaction structures.

*DayStar Acquisition*

On May 15, 2013, we purchased the remaining 50% interest in DayStar Materials L.L.C. ( DayStar ) from our partner UP Chemical Co., Ltd. and DayStar became a consolidated entity. The purchase price was \$3 million in cash which approximated

Table of Contents

the fair value of the remaining share of the assets and liabilities, primarily inventory and fixed assets, as of the purchase date. In addition, we reimbursed UP Chemical Co. Ltd. for a \$3 million loan they had made to DayStar.

**Divestitures***Consumer Divestiture*

In September 2013 our Board of Directors ( the Board ) approved a plan to sell our Consumer Products segment subject to the completion of definitive transaction documents and in October 2013, we entered into a stock purchase agreement to sell our Consumer Products business, including dedicated manufacturing plants in the U.S. and South Africa, to KIK Custom Products Inc. ( KIK ) for \$315 million in cash at closing subject to certain customary pre- and post-closing adjustments, primarily for working capital and assumed pension liabilities. Working capital consists of current assets and current liabilities, excluding cash, net current income and deferred taxes, and certain other current assets and liabilities. The transaction is subject to customary closing conditions and regulatory approvals and is targeted to close on December 31, 2013.

As a result of the Board approval, the assets and liabilities of the Consumer Products segment have been presented as assets and liabilities held for sale. Additionally, we determined that discontinued operations treatment applied and earnings and direct costs associated with Consumer Products segment have been presented as earnings (loss) from discontinued operations, net of tax in our Consolidated Statements of Operations for the current and comparative periods. All applicable disclosures included in the accompanying footnotes have been updated to reflect the Consumer Products segment as a discontinued operation.

Additionally, earnings and direct costs associated with the Consumer Products business have been presented as earnings (loss) from discontinued operations, net of tax for the current and comparative periods. All applicable disclosures included in the accompanying footnotes have been updated to reflect the Consumer Products business as a discontinued operation.

The following is a summary of the assets and liabilities of discontinued operations related to the Consumer Products business as of September 30, 2013 and December 31, 2012.

<b>(In millions)</b>	<b>September 30, 2013</b>		<b>December 31, 2012</b>	
Accounts receivable, net	\$	41	\$	60
Inventories		69		70
Other current assets		20		19
Property, plant and equipment		61		64
Intangible assets, net		194		202
Other assets		5		5
Assets		390		420
Accounts payable	\$	20	\$	23
Accrued expenses		19		16
Income taxes payable		3		4

## Edgar Filing: Chemtura CORP - Form 10-Q

Pension and post-retirement health care liabilities		7		7
Other liabilities		75		78
Liabilities		124		128
Net Assets	\$	266	\$	292

### *Antioxidant Divestiture*

On April 30, 2013, we completed the sale of our Antioxidant business to SK Blue Holdings, Ltd, ( SK ) and Addivant USA Holdings Corp. ( Addivant ) for consideration of \$97 million, \$9 million in preferred stock issued by Addivant, a seller note in the amount of \$1 million issued by an affiliate of Addivant and the assumption by SK and Addivant of pension, environmental and other liabilities totaling approximately \$91 million.

At closing, the cash consideration was subject to the retention of certain assets, the finalization of pension assets and liabilities and the change in certain working capital components through the closing date. The asset purchase agreement provides a customary mechanism for finalizing any adjustments to the working capital base. We anticipate finalizing the working capital adjustment in the fourth quarter of 2013. During the third quarter of 2013, the net pension liability transferred to Addivant was

## Edgar Filing: Chemtura CORP - Form 10-Q

### Table of Contents

finalized and the seller note was extinguished by these adjustments. Additionally, we paid \$2 million in cash considerations as part of the adjustment.

Included as part of the consideration, we received 9.2 million shares of Series A Preferred Stock of Addivant with a face value of \$9 million. These shares accrue dividends at escalating rates beginning at 7% in the first year and up to 11% in the third year and beyond which are payable upon declaration.

We recognized a pre-tax loss of \$162 million (\$149 million after-tax), which included \$121 million of non-cash charges related to the release of accumulated other comprehensive loss ( AOCL ) associated with the pension obligations transferred, the release of cumulative translation adjustments and the release of our non-controlling interest in a Korean joint venture. In connection with the sale, we entered into several ancillary agreements, including supply agreements, a distribution agreement, and a transition service agreement.

As a result of entering into this transaction beginning in 2012, we determined that discontinued operations treatment applied. Assets and liabilities included in the Antioxidant Sale have been presented as assets and liabilities of discontinued operations as of December 31, 2012. Additionally, earnings and direct costs associated with the Antioxidant business for the periods prior to the date of sale have been presented as earnings (loss) from discontinued operations, net of tax for the current and comparative periods. All applicable disclosures included in the accompanying footnotes have been updated to reflect the Antioxidant business as a discontinued operation.

The following is a summary of the assets and liabilities sold or settled related to the Antioxidant business as of April 30, 2013 and the assets and liabilities of discontinued operations as of December 31, 2012.

(In millions)	April 30, 2013		December 31, 2012	
Cash and cash equivalents	\$	2	\$	2
Accounts and trade receivable		70		61
Inventories		76		78
Other current assets		2		4
Property, plant and equipment		48		44
Intangible assets, net		14		14
Other assets		33		31
<b>Assets</b>		<b>245</b>		<b>234</b>
Accounts payable	\$	39	\$	29
Accrued expenses		2		4
Income taxes payable				1
Pension and post-retirement health care liabilities		78		80
Other liabilities		11		11
<b>Liabilities</b>		<b>130</b>		<b>125</b>
<b>Net Assets</b>	\$	<b>115</b>	\$	<b>109</b>

Assets sold or settled consisted primarily of plant facilities located at Morgantown, West Virginia, Bay Minette, Alabama, Waldkraiburg, Germany and Catenoy, France; our shares in the Asia Stabilizers joint venture, located in Korea, a previously controlled consolidated entity; our shares in Gulf Stabilizers Industries, located in Saudi Arabia, a previously 49% owned equity method investment; certain dedicated operating equipment located at Latina, Italy and Elmira, Canada; intangible assets and working capital associated with the Antioxidants business.

## Edgar Filing: Chemtura CORP - Form 10-Q

We retained ownership of certain manufacturing assets that will be used to meet our performance obligations under the supply agreements in Canada, Italy, the United States, Taiwan, Mexico, and Brazil. The minimum terms of the supply agreements range from two to five years. Based on the terms of the supply agreements and the forecasted costs to meet our obligations under those agreements, we have fair valued the supply agreements using Level 3 fair value techniques and included a \$13 million charge to the loss on sale of discontinued operations in our Consolidated Statement of Operations.

The following table reconciles the adjusted cash proceeds to the pre-tax loss on the sale:

Edgar Filing: Chemtura CORP - Form 10-Q

Table of Contents

(In millions)	September 30, 2013
Cash consideration	\$ 97
Retained working capital and other adjustments	(10)
Post-closing adjustments	(2)
Cash proceeds	85
Preferred stock	9
Less direct items:	
Net assets sold or settled	111
Transaction costs and other (1)	4
Post closing obligations and other, net	7
Fair value of supply agreements	13
Less non-cash items:	
Release of AOCL - pension	122
Release of AOCL - cumulative translation adjustment	6
Release of non-controlling interest	(7)
Pre-tax loss on sale of discontinued operations	\$ (162)

(1) Transaction costs include legal fees and other direct costs incurred to sell the business since April 1, 2013.

*Discontinued Operations - Consumer Products ( Consumer ) and Antioxidant ( AOUV ) Divestitures*

Earnings (loss) from discontinued operations for the quarters and nine months ended September 30, 2013 and 2012 consist of the following:

(In millions)	Quarters ended September 30,				Nine months ended September 30,					
	2013		2012		2013			2012		
	Consumer	Consumer	AOUV	Total	Consumer	AOUV	Total	Consumer	AOUV	Total
Net sales	\$ 101	\$ 102	\$ 95	\$ 197	\$ 324	\$ 123	\$ 447	\$ 344	\$ 289	\$ 633
Pre-tax earnings (loss) from discontinued operations	\$ 8	\$ 11	\$ (29)	\$ (18)	\$ 27	\$ 4	\$ 31	\$ 25	\$ (37)	\$ (12)
Income tax benefit	(1)	(1)	4	3	(3)	(3)	(3)	(2)	10	8
Earnings (loss) from discontinued operations, net of taxes	7	10	(25)	(15)	24	4	28	23	(27)	(4)
Net earnings attributable to non-controlling interests			2	2				1		1
Earnings (loss) from discontinued operations	\$ 7	\$ 10	\$ (23)	\$ (13)	\$ 24	\$ 4	\$ 28	\$ 23	\$ (26)	\$ (3)

A portion of certain functional and other expenses that are managed company-wide that have been allocated to the Antioxidant and Consumer Products businesses have not or will not transfer directly under the respective sale agreements. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under earnings (loss) from discontinued operations, net of tax. These costs are as follows:

**Quarters Ended  
September 30,**

**Nine Months Ended  
September 30,**

Edgar Filing: Chemtura CORP - Form 10-Q

	2013	2012	2013	2012
Antioxidants		3	6	11
Consumer Products	5	4	10	9
Amortization expense (a)	(3)	(4)	(8)	(11)
Net increase in Corporate Segment	2	3	8	9

---

(a) Our Corporate segment included amortization expense which related directly to the Antioxidant business and the Consumer Products segment which is now included in earnings (loss) from discontinued operations, net of tax.

Table of Contents

*Tetrabrom Joint Venture Divestiture*

On November 28, 2011, we sold our 50% interest in Tetrabrom Technologies Ltd. for net consideration of \$38 million. The consideration is being paid over a three year period. The first and second payments, net of tax, were paid in April 2012 and April 2013. A pre-tax gain of \$27 million was recorded on the sale in the fourth quarter of 2011.

3) **RESTRUCTURING AND ASSET IMPAIRMENT ACTIVITIES**

**Restructuring**

On February 22, 2013, our Board of Directors (the Board) approved a restructuring plan providing for, among other things, actions to reduce stranded costs related to ongoing strategic initiatives. This plan is expected to preserve pre-divestiture operating margins following our portfolio changes. On October 9, 2013, the Board approved additional restructuring actions to consolidate our business organizational structure in an effort to streamline the organization and gain efficiencies and additional cost savings. In October 2013, we commenced employee communications and the consultation process regarding the potential closure of our Droitwich, UK facility and consolidation of those operations into our Perth Amboy, NJ facility, in order to improve our competitiveness in the current economic environment. The total cost of these restructuring plans are estimated to be between \$45 million and \$55 million, primarily for severance and related costs, accelerated depreciation of property, plant and equipment, and asset retirement obligations. Non-cash charges are estimated to be between \$5 million and \$7 million with a net cash cost of between \$40 million and \$48 million. We recorded a pre-tax charge of \$14 million in the first quarter of 2013 which included \$11 million for severance and related costs and \$3 million related to professional fees. We recorded a pre-tax charge of \$11 million in the second quarter of 2013 which included \$5 million for severance and related costs and \$6 million related to professional fees. We recorded a pre-tax charge of \$3 million in the third quarter of 2013 related to professional fees. The remainder relates primarily to severance, accelerated depreciation and decommissioning costs and expect all but approximately \$4 million to \$8 million to be incurred throughout 2013.

On April 30, 2012, our Board approved a restructuring plan providing for, among other things, the closure of our Antioxidant business manufacturing facility in Pedrengo, Italy. The Board also approved actions to improve the operating effectiveness of certain global corporate functions. This plan is intended to achieve significant gains in efficiency and costs. The total cost of the restructuring plan was estimated to be approximately \$40 million of which approximately \$6 million will consist of non-cash charges. During 2012, we recorded pre-tax charges of \$33 million which included \$4 million for accelerated depreciation of property, plant and equipment included in depreciation and amortization, \$2 million for accelerated asset retirement obligations included in cost of goods sold, \$12 million for severance and professional fees related to corporate initiatives, \$5 million for severance and other obligations related to the Pedrengo closure and \$10 million reflecting the write-off of a receivable for which collection is no longer probable as a result of these restructuring actions. We recorded an additional pre-tax charge of \$1 million in the nine months ended September 30, 2013, primarily for accelerated depreciation and relocation costs related to the Pedrengo closure. All charges related to the Pedrengo closure have been included in loss from discontinued operations, net of tax, as this plant formed part of our Antioxidants business. The Pedrengo plant ceased operations on March 31, 2013 and asset retirement work has begun. We have retained this property under the terms of the sale of the Antioxidants business and anticipate selling it after all facility retirement and remediation work is completed.

A summary of the changes in the liabilities established for restructuring programs is as follows:

## Edgar Filing: Chemtura CORP - Form 10-Q

(In millions)	Severance and Related Costs		Other Facility Closure Costs		Total
Balance at December 31, 2012	\$	8	\$	2	\$ 8
2013 charge		16		12	28
Cash payments		(10)		(10)	(20)
Balance at September 30, 2013	\$	14	\$	2	\$ 16

At September 30, 2013, \$15 million of these reserves were included in accrued expenses and \$1 million were included in accounts payable in our Consolidated Balance Sheet. At December 31, 2012, the balance of these reserves were included in accrued expenses in our Consolidated Balance Sheet.

### Asset Impairment Review

During the first two quarters of 2013, we completed an assessment of the possible sale of the Consumer Products segment. As of March 31, 2013 and June 30, 2013, we considered it more-likely-than-not that the initiative would become effective during 2013. In performing the impairment analysis, we probability weighted the possible outcomes of the initiative as of March 31, 2013 and June 30, 2013. Based on this analysis, the expected undiscounted cash flows were sufficient to recover the carrying

Table of Contents

values of assets of the Consumer Products segment. As a result, we concluded that no impairment existed at March 31, 2013 or June 30, 2013.

In September 2013, when we met the criteria to record assets held for sale, we again performed an impairment analysis. We probability weighted the fair value less cost to sell under different fair value models, as a proxy for an agreed upon purchase price, and found the fair value less cost to sell was sufficient to recover the carrying value of the net assets to be sold as of September 30, 2013. As a result, we concluded that no impairment existed at September 30, 2013. However, changes in the underlying details or fair value of the Consumer Products segment could impact the results of our analysis in future quarters.

**4) INVENTORIES**

(In millions)	September 30, 2013	December 31, 2012
Finished goods	\$ 290	\$ 280
Work in process	35	27
Raw materials and supplies	103	91
	\$ 428	\$ 398

Included in the above net inventory balances are inventory obsolescence reserves of approximately \$22 million and \$14 million at September 30, 2013 and December 31, 2012, respectively.

**5) PROPERTY, PLANT AND EQUIPMENT**

(In millions)	September 30, 2013	December 31, 2012
Land and improvements	\$ 73	\$ 67
Buildings and improvements	215	190
Machinery and equipment	1,250	1,152
Information systems equipment	188	183
Furniture, fixtures and other	29	28
Construction in progress	88	108
	1,843	1,728
Less: accumulated depreciation	1,127	1,073
	\$ 716	\$ 655

Depreciation expense from continuing operations was \$19 million and \$21 million for the quarters ended September 30, 2013 and 2012, respectively, and \$61 million and \$60 million for the nine months ended September 30, 2013 and 2012, respectively.

**6) GOODWILL AND INTANGIBLE ASSETS**

## Edgar Filing: Chemtura CORP - Form 10-Q

Our goodwill balance was \$177 million at September 30, 2013 and December 31, 2012. The goodwill is allocated to the Industrial Performance segment. The goodwill balance at September 30, 2013 and December 31, 2012 reflected accumulated impairments of \$90 million.

We have 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, 2013.

Table of Contents

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.

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

(In millions)	September 30, 2013			December 31, 2012		
	Gross Cost	Accumulated Amortization	Net Intangibles	Gross Cost	Accumulated Amortization	Net Intangibles
Patents	\$ 89	\$ (51)	\$ 38	\$ 85	\$ (48)	\$ 37
Trademarks	68	(34)	34	68	(31)	37
Customer relationships	42	(17)	25	41	(15)	26
Production rights	46	(36)	10	46	(32)	14
Other	75	(44)	31	74	(42)	32
Total	\$ 320	\$ (182)	\$ 138	\$ 314	\$ (168)	\$ 146

The increase in gross intangible assets since December 31, 2012 is primarily due to additions of \$6 million and foreign currency translation of \$2 million offset by retirements of \$2 million.

Amortization expense from continuing operations related to intangible assets amounted to \$5 million for the quarters ended September 30, 2013 and 2012, and \$15 million for the nine months ended September 30, 2013 and 2012.

## 7) DEBT

Our debt is comprised of the following:

(In millions)	September 30, 2013	December 31, 2012
5.75% Senior Notes due 2021	\$ 450	\$ 452
7.875% Senior Notes due 2018	100	418
Term Loan due 2016	316	6
Other borrowings	28	876
Total Debt	894	(3)
Less: Other short-term borrowings	(2)	(2)
Less: Current portion of Term Loan		
Total Long-term debt	\$ 892	\$ 871

## Tender Offer & New Bond Offering

On June 10, 2013, we launched a cash tender offer and consent solicitation with respect to any and all of our outstanding \$455 million aggregate principal amount of 7.875% Senior Notes due 2018 (the 2018 Senior Notes ) pursuant to our Offer to Purchase and Consent Solicitation Statement (the Offer to Purchase ). The requisite consent solicitation was required to adopt proposed amendments to the indenture governing the 2018 Senior Notes (the 2018 Indenture ) that would eliminate substantially all of the restrictive covenants, certain events of default and related provisions contained in the 2018 Indenture. Subject to the terms and conditions set forth in the Offer to Purchase, holders who validly tendered their notes on or prior to June 21, 2013 (the Consent Date ) received total consideration of \$1,117.50 per \$1,000 principal amount of the 2018 Senior Notes accepted for purchase, which included a consent payment of \$30 per \$1,000 principal amount of the notes. As of July 5, 2013, holders of \$348 million or approximately 76.56% of the 2018 Senior Notes, had tendered their 2018 Senior Notes and consented to the proposed amendments to the 2018 Indenture.

On July 8, 2013, we amended the terms of the Offer to Purchase to extend the expiration date to July 19, 2013 to meet the terms of the Financing Condition (as defined in the Offer to Purchase). Holders who validly tendered their 2018 Senior Notes after the Consent Date but on or prior to July 19, 2013, received the tender offer consideration of \$1,087.50 per \$1,000 principal amount of the 2018 Senior Notes accepted for purchase but were not entitled to the consent payment. As of July 19, 2013, additional holders of \$6 million or approximately 1.33% of the 2018 Senior Notes, had tendered their 2018 Senior Notes and Solicitation and consented to the proposed amendments to the 2018 Indenture.

Table of Contents

On July 18, 2013, we undertook a registered public offering of \$450 million of 5.75% Senior Notes due 2021 ( 2021 Senior Notes ), for the purposes of funding the purchase under the terms of the Offer to Purchase all of the 2018 Senior Notes tendered, expenses related to the offering and a prepayment of our senior secured term loan facility due 2016 (the Term Loan ). On July 23, 2013, the 2021 Senior Notes offering closed and the majority of the proceeds were used to complete the purchase of the 2018 Senior Notes tendered in response to the Offer to Purchase. With the purchase of the 2018 Senior Notes complete, the amendments to the 2018 Indenture that eliminated substantially all of the restrictive covenants, certain events of default and related provisions became effective.

In our third quarter of 2013, we recorded a loss on the early extinguishment of debt of \$50 million. The loss included \$42 million for the difference between the principal amount of the 2018 Senior Notes tendered and the sum of the tender offer consideration and consent payments. The loss also included \$8 million for the write-off of unamortized capitalized financing costs and original issuance discount with respect to the 2018 Senior Notes purchased under the tender.

On July 23, 2013, we used the balance of the proceeds from the offering of the 2021 Senior Notes, after completing the purchase of the 2018 Senior Notes tendered and paying transaction costs of approximately \$45 million, and approximately \$5 million of cash on hand to prepay \$50 million of principal of our Term Loan. On July 31, 2013, we prepaid an additional \$50 million of Term Loan principal with cash on hand.

At any time prior to July 15, 2016, we are permitted to redeem some or all of the 2021 Senior Notes at a redemption price equal to 100% of the principal amount thereof plus a make-whole premium (as defined in the indenture governing the 2021 Senior Notes (the 2021 Indenture )) and accrued and unpaid interest up to, but excluding, the redemption date. At any time after July 15, 2016, we are permitted to redeem some or all of the 2021 Senior Notes at any time, with the redemption prices being, prior to July 15, 2017, 104.313% of the principal amount; on or after July 15, 2017 and prior to July 15, 2018, 102.875% of the principal amount; on or after July 15, 2018 and prior to July 15, 2019, 101.438% of the principal amount; and thereafter 100% plus any accrued and unpaid interest to the redemption date. In addition, prior to July 15, 2016, we may redeem up to 35% of the 2021 Senior Notes from the proceeds of certain equity offerings at a redemption price of 105.75% plus accrued but unpaid interest to the redemption date. If we experience certain kinds of changes in control, as defined in the 2021 Indenture, we may be required to offer to repurchase all of the 2021 Senior Notes. The redemption price (subject to limitations as described in the 2021 Indenture) is equal to 101% of the aggregate principal amount plus accrued and unpaid interest.

Our 2021 Senior Notes contain covenants that limit our ability to enter into certain transactions, such as incurring secured debt and subsidiary debt and entering into sale and lease-back transactions. As of September 30, 2013, we were in compliance with the covenant requirements of the 2021 Senior Notes.

Our 2021 Senior Notes are subject to certain events of default, including, among others, breach of other agreements in the Indenture; any guarantee of 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; and certain events of bankruptcy or insolvency.

**Financing Facilities**

## Edgar Filing: Chemtura CORP - Form 10-Q

On August 27, 2010, we completed a private placement offering under Securities and Exchange Commission ( SEC ) Rule 144A for the 2018 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. In July 2013, we redeemed \$354 million of the \$455 million outstanding balance with proceeds from the 2021 Senior Notes offering.

On August 27, 2010, we also entered into 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 October 31, 2012, we exercised the accordion feature of our Term Loan and borrowed the additional \$125 million for the purpose of funding potential investment opportunities and for general corporate purposes. Accordingly, we recognized a \$1 million charge for the year ended December 31, 2012 for loss on early extinguishment of debt resulting from the write-off of deferred financing costs and miscellaneous fees. An additional \$1 million in arranger fees were written-off to interest expense for the year end December 31, 2012. During 2013, we repaid \$102 million of the Term Loan with proceeds from the 2021 Senior Notes offering and cash on hand.

In October 2013, we entered into an amendment of our Term Loan. The amendment to the Term Loan (the Amendment ), among other things, (i) reduces the interest rate and LIBOR floor on the term loans outstanding under the Term Loan agreement (the term loans ), (ii) provides for a 1% prepayment premium if the term loans are refinanced with certain specified refinancing debt within 6 months, (iii) introduces scheduled quarterly amortization of the term loans in the amount of 1% annually, and (iv) permit additional flexibility under certain of our operating covenants (including but not limited to additional

## Edgar Filing: Chemtura CORP - Form 10-Q

### Table of Contents

flexibility for debt, investments, restricted payments and dispositions) in the Term Loan agreement. The Amendment became effective on October 30, 2013.

On November 10, 2010, we entered into a five-year senior secured revolving credit facility available through 2015 (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). 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.

At September 30, 2013 and December 31, 2012, we had no borrowings under the ABL Facility and \$14 million of outstanding letters of credit (primarily related to insurance obligations, environmental obligations and banking credit facilities) which utilizes available capacity under the facility. At September 30, 2013 and December 31, 2012, we had approximately \$191 million and \$199 million, respectively of undrawn availability under the ABL Facility.

These facilities contain 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 acquisitions, dispositions and joint ventures. The Term Loan requires that we meet certain quarterly 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. The ABL Facility contains 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 until such 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, 2013, we were in compliance with the covenant requirements of these financing facilities.

On March 29, 2013, we entered into a promissory note in the principal sum of \$7 million with a term of six years bearing interest at a rate of 5.29% per annum to finance the cost of certain information technology software licenses. The principal of note is to be repaid in equal monthly installments over its term.

In December 2012, we entered into a CNY 250 million (approximately \$40 million) 5 year secured credit facility available through December 2017 (the China Bank Facility ) with Agricultural Bank of China, Nantong Branch ( ABC Bank ). The China Bank Facility will be used for funding construction of our manufacturing facility in Nantong, China. The China Bank Facility is secured by land, property and machinery of our subsidiary Chemtura Advanced Materials (Nantong) Co., Ltd. The loans under the China Bank Facility bear interest at a rate determined from time to time by ABC Bank base on the prevailing People Bank of China Lending Rate. At September 30, 2013, we had borrowings of \$17 million under the China Bank Facility. Repayments of principal will be made in semi-annual installments from December 2014 through December 2017.

### **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 (approximately \$92 million). 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. We had no outstanding advances under the A/R Financing Facility for the period ending December 31, 2012. We utilized this facility during 2012, however, in December 2012 we agreed with the Purchaser to suspend the facility in light of internal plans to change which of our European entities invoice sales to customers.

**8) INCOME TAXES**

We reported an income tax expense of \$3 million and \$5 million for the quarters ended September 30, 2013 and 2012, respectively. For the nine months ended September 30, 2013 and 2012, we reported income tax expense of \$24 million and \$16 million, respectively. The tax expense reported for the quarter and nine months ended September 30, 2013 relates to taxable income of certain of our international subsidiaries. The tax expense reported for the quarter and nine months ended September 30, 2012 relates to taxable income of certain of our international subsidiaries reduced by the tax benefit of elements of the third quarter of 2012 restructuring charge.

In the quarter and nine months ended September 30, 2013, we established a valuation allowance against the tax benefits associated with our year-to-date U.S. losses. We will continue to adjust our tax provision through the establishment or

Table of Contents

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 \$44 million and \$41 million at September 30, 2013 and December 31, 2012, respectively. The increase is primarily due to currency fluctuation.

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 \$4 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, the outcomes of audits and the expiration of the statute of limitations. This change is not expected to have a significant impact on our financial condition.

## 9) ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss ( AOCL ), net of tax at September 30, 2013 and December 31, 2012, are as follows:

(in millions)	Foreign Currency Translation Adjustments	Unrecognized Pension and Other Post- Retirement Benefit Costs	Total
As of December 31, 2012	\$ 47	\$ (475)	\$ (428)
Other comprehensive (loss) income before reclassifications	(7)	21	14
Amounts reclassified from AOCL	(9)	121	112
Net current period other comprehensive (loss) income	(16)	142	126
As of September 30, 2013	\$ 31	\$ (333)	\$ (302)

The following table summarizes the reclassifications from AOCL to the Condensed Consolidated Statement of Operations for the quarter and nine months ended September 30, 2013:

Table of Contents

(in millions)	Quarter Ended September 30, 2013 Amount Reclassified from AOCL	Nine months ended September 30, 2013 Amount Reclassified from AOCL	Affected line item in the consolidated statement of operations
Foreign currency translation items:			
Liquidation of consolidated entities	\$	\$	15 Other income, net
Sale of discontinued operations (b)			(6) Loss on sale of discontinued operations, net of tax
Net of tax			9
Defined benefit pension plan items:			
Amortization of prior-service costs (a)	1	3	See Note (a)
Amortization of actuarial losses (a)	(5)	(17)	See Note (a)
Sale of discontinued operations (b)			Loss on sale of discontinued operations, net of tax
	(2)	(122)	
Total before tax	(6)	(136)	
Tax on continuing operations			1 Income Tax Expense
Tax on discontinued operations			Loss on sale of discontinued operations, net of tax
			14
Total tax			15
Net of tax	(6)	(121)	
Total reclassifications	\$ (6)	\$ (112)	

(a) These items are included in the computation of net periodic benefit pension cost (see Note 12 - Pension and other Post-Retirement Plans for additional information).

(b) Sale of the Antioxidant Business (see Note 2 - Acquisitions and Divestitures)

**10) EARNINGS PER COMMON SHARE**

The computation of basic earnings per common share is based on the weighted average number of common shares outstanding. The computation of diluted earnings per common share is based on the weighted average number of common and common share equivalents outstanding. The computation of diluted earnings per common share equals the basic earnings per common share for the quarter and nine months ended September 30, 2013, since the common stock equivalents were anti-dilutive as a result of a loss from continuing operations. Common stock equivalents amounted to 1.2 million shares for the quarter and nine months ended September 30, 2013.

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

(In millions)	Quarters ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Weighted average shares outstanding - Basic	97.5	97.9	98.1	98.4
Dilutive effect of common share equivalents		0.3		0.4
Weighted average shares outstanding - Diluted	97.5	98.2	98.1	98.8

On May 9, 2013, the Board authorized an increase in our share repurchase program by \$41 million to \$141 million of which \$50 million remains as of September 30, 2013 and extended the program through March 31, 2014. The shares are expected to be repurchased from time to time

## Edgar Filing: Chemtura CORP - Form 10-Q

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). We repurchased 2.2 million shares at a cost of \$50 million during the quarter and nine months ended September 30, 2013. As of September 30, 2013, we repurchased 5.6 million shares at a cost of \$91 million under this program, which was originally approved in October 2011.

Table of Contents

**11) STOCK INCENTIVE PLANS**

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. 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 restricted stock units ("RSUs") and performance-based RSUs. The 2010 LTIP provides for the issuance of a maximum of 11 million shares. Stock options 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.

Stock-based compensation expense was \$3 million and \$4 million for the quarters ended September 30, 2013 and 2012, respectively, and \$11 million and \$14 million for the nine months ended September 30, 2013 and 2012, respectively. Stock-based compensation expense was primarily reported in SG&A.

**Stock Option Plans**

In March 2013, the compensation committee of our Board (the "Compensation Committee") approved the grant of 0.4 million NQOs under the 2013 long-term incentive awards (the "2013 Awards"). These options vest ratably over a three-year period.

In March 2012, the Compensation Committee approved the grant of 0.8 million NQOs under the 2012 long-term incentive awards (the "2012 Awards"). These options 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 per share fair value of stock options granted during the nine months ended September 30, 2013 and 2012 was \$9.92 and \$8.14, respectively.

Total remaining unrecognized compensation expense associated with unvested NQOs at September 30, 2013 was \$5 million, which will be recognized over the weighted average period of approximately 2 years.

**Restricted Stock Units and Performance Shares**

In March 2013, the Compensation Committee approved the grant of 0.2 million time-based RSUs under the 2013 Awards. These RSUs vest ratably over a three-year period.

In March 2013, the Compensation Committee approved the grant of 0.2 million performance shares under the 2013 Awards. The share grant is subject to a performance multiplier of up to 2 times the targeted award. The performance measurement period is the three calendar year period ending December 31, 2015, the performance share metric used will be our relative total shareholder return against the companies comprising the Russell 3000 Index, and the performance shares will be settled on March 1, 2016. We used the Monte-Carlo simulation model to determine the fair value of the performance shares. Using this method, the average per share fair value of these awards was \$27.27.

In March 2012, the Compensation Committee approved the grant of 0.6 million time-based RSUs under the 2012 Awards. These RSUs vest ratably over a three-year period.

In March 2012, the Compensation Committee approved the grant of 0.3 million performance shares under the 2012 Awards. The share grant is subject to a performance multiplier of up to 2 times the targeted award. The performance measurement period is the three calendar year period ending December 31, 2014, the performance share metric used will be our relative total shareholder return against the companies comprising the Russell 3000 Index, and the performance shares will be settled on March 1, 2015. We used the Monte-Carlo simulation model to determine the fair value of the performance shares. Using this method, the average per share fair value of these awards was \$25.38.

Total remaining unrecognized compensation expense associated with unvested time-based RSUs and performance shares at September 30, 2013 was \$13 million, which will be recognized over the weighted average period of approximately 2 years.

#### **Employee Stock Purchase Plan**

In May 2012, our shareholders approved the Chemtura Corporation 2012 Employee Stock Purchase Plan (the ESPP). This plan permits eligible employees to annually elect to have up to 10% of their compensation withheld and applied to the purchase of shares of Chemtura's common stock. Purchases are made at the end of quarterly offering periods and are based on the lower



## Edgar Filing: Chemtura CORP - Form 10-Q

months ended September 30, 2013 were \$8 million.

On November 18, 2009, the Bankruptcy Court entered an order (the 2009 OPEB Order ) approving, in part, our motion (the 2009 OPEB Motion ) requesting authorization to modify certain post-retirement welfare benefits (the OPEB Benefits ) under our post-retirement welfare benefit plans (the OPEB Plans ), including the OPEB Benefits of certain Uniroyal salaried retirees (the Uniroyal Salaried Retirees ). On April 5, 2010, the Bankruptcy Court entered an order denying the Uniroyal Salaried Retirees motion to reconsider the 2009 OPEB Order based, among other things, on the Uniroyal Salaried Retirees failure to file a timely objection to the 2009 OPEB Motion. On April 8, 2010, the Uniroyal Salaried Retirees appealed the Bankruptcy Court s April 5, 2010 order and on April 14, 2010, sought a stay pending their appeal (the Stay ) of the 2009 OPEB Order as to our right to modify the OPEB Benefits. On April 21, 2010, the Bankruptcy Court ordered us not to modify the Uniroyal Salaried Retirees OPEB Benefits pending a hearing and 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 OPEB Benefits of the Uniroyal Salaried Retirees as requested in the 2009 OPEB Motion. In November 2011, we reached an agreement in principle with a steering committee of the Uniroyal Salaried Retirees resolving all disputes concerning the 2009 OPEB Motion. On February 21, 2012, we filed a motion with the Bankruptcy Court seeking approval of a settlement stipulation with the steering committee of the Uniroyal

Table of Contents

Salaried Retirees based upon the prior agreement in principle and authorizing us to implement changes to the OPEB Benefits of all Uniroyal Salaried Retirees based upon the settlement stipulation and as a partial grant of the relief requested in the 2009 OPEB Motion. The Bankruptcy Court approved the motion at a hearing held on March 29, 2012. The changes were communicated to the participants in May 2012. The impact of the change was an \$8 million increase to the projected benefit obligation, which we recorded in the second quarter of 2012 as an increase to the pension and post-retirement healthcare liabilities, with an offset to AOCL on our Consolidated Balance Sheet at December 31, 2012.

On May 9, 2011, one of our UK subsidiaries entered into definitive agreements with the trustees of the Great Lakes U.K. Limited Pension Plan ( the UK Pension Plan ) over the terms of a recovery plan which provided for a series of additional cash contributions to be made to reduce the underfunding over time. The agreements provided, among other things, for our UK subsidiary to make cash contributions of £60 million (approximately \$96 million) in just over a three year period, with the initial contribution of £30 million (\$49 million) made in the second quarter of 2011, the second contribution of £15 million (\$24 million) made in the second quarter of 2012 and the third contribution of £8 million (\$11 million) made in the second quarter of 2013. The final contribution of £8 million (\$11 million) is expected to be made in the second quarter of 2014. The agreements also provided for the granting of both a security interest and a guarantee to support certain of the liabilities under the UK Pension Plan.

There was also an evaluation being undertaken as to whether additional benefit obligations exist in connection with the equalization of certain benefits under the UK Pension Plan that occurred in the early 1990s. Based on the results of the evaluation in 2011, \$8 million of expense was recorded in the fourth quarter of 2011, which was subject to adjustment as further information is gathered as part of the evaluation. Additional information has been gathered and evaluated during the second quarter of 2013 and resulted in a reduction of the estimated liability from that originally estimated. Accordingly we recorded \$2 million of income to SG&A in the second quarter of 2013. When we reach agreement with the trustees of the UK Pension Plan as to what additional benefit obligations exist, our UK subsidiary is required to make additional cash contributions to the UK Pension Plan.

**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. 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.

In September 2013, we entered into a 25 million notional put option and 25 million notional value forward contract to reduce the risk of currency exposure related to the Euro in one of our consolidated subsidiaries. These contracts matured in October 2013. We use fair value accounting methods for these contracts and have recorded unrealized losses of \$1 million reflecting the changes in fair market value of these contracts in other income, net in our Consolidated Statement of Operations for the quarter and nine months ended September 30, 2013. The resulting net liability of the changes in fair market value of the remaining contracts of \$1 million has been accounted for in other current liabilities in our Consolidated Balance Sheet.

## Edgar Filing: Chemtura CORP - Form 10-Q

During the first half of 2013, we entered into a zero cost collar contract and two additional forward contracts to reduce the risk of currency exposure related to the Euro in one of our consolidated subsidiaries. These contracts matured at various times during the second quarter of 2013. We use fair value accounting methods for these contracts and have recorded losses of less than \$1 million and gains of \$3 million reflecting the changes in fair market value of these contracts in other income, net in our Consolidated Statement of Operations for the quarter ended June 30, 2013 and nine months ended September 30, 2013.

In April 2012, we purchased two forward contracts with a notional amount totaling \$25 million to reduce the risk of currency exposure related to the remaining two annual installments of proceeds from the sale of our 50% interest in Tetrabrom Technologies Ltd. in 2011. We use fair value accounting methods for these contracts. During the quarter ended June 30, 2013, one of these contracts settled and we recorded a realized gain of less than \$1 million in other income, net. We have recorded an unrealized gain of less than \$1 million reflecting the changes in the fair market value on the remaining contract in other income, net in our Consolidated Statement of Operations for the quarter and nine months ended September 30, 2013. The resulting net liability of the changes in fair market value of the remaining contract of less than \$1 million has been accounted for in other current assets in our Consolidated Balance Sheet.

In June 2012, we purchased and settled a forward contract with a notional amount totaling \$8 million to reduce the risk of currency exposure related to the payment of an intercompany payable denominated in Mexican Pesos. We used fair value

Table of Contents

accounting methods for these contracts and have recorded a gain of less than \$1 million reflecting the changes in the fair market value of these contracts in other expense, net in our Consolidated Statement of Operations for the nine months ended September 30, 2012.

**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.

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

(In millions)	As of September 30, 2013		As of December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	\$ 894	\$ 907	\$ 876	\$ 920

**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 that are significant to the fair value of the assets and liabilities.

## Edgar Filing: Chemtura CORP - Form 10-Q

Level 1 fair value measurements in 2013 and 2012 included securities purchased in connection with the deferral of compensation, our match and investment earnings 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, 2013 and December 31, 2012 in our Consolidated Balance Sheets. Quoted market prices were used to determine fair values of these Level 1 investments which are held in a trust with a third-party brokerage firm. The fair value of the asset and corresponding liability was \$2 million at September 30, 2013 and December 31, 2012.

Level 2 fair value measurements are used to value our financial instruments subject to foreign currency exchange risk (see Note 13 - Derivative Instruments and Hedging Activities.) For the nine months ended September 30, 2013, 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).

During the second quarter of 2013, we obtained an investment in non-public preferred equity securities with a face value of \$9 million. We have estimated the fair value to be \$4 million, utilizing Level 3 measurements, where the fair value estimate is determined internally based on business and market sector fundamentals. We have reported the fair value of this investment in Other Non-Current Assets and reported the difference between the face value and fair value in loss on sale of discontinued operations.

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).

Table of Contents**15) ASSET RETIREMENT OBLIGATIONS**

We apply the provisions of ASC Topic 410, *Asset Retirements and Environmental Obligations* ( ASC 410 ), which requires us 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 25 facilities; legal obligations to close approximately 89 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 30 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, 2013 and 2012 and the net book value of assets related to the asset retirement obligations at September 30, 2013 and 2012:

(In millions)	Quarters ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Asset retirement obligation balance at beginning of period	\$ 17	\$ 22	\$ 20	\$ 21
Accretion expense (income) cost of goods sold (a)(b)	3	1	3	3
Payments	(2)		(5)	(1)
Asset retirement obligation balance at end of period	\$ 18	\$ 23	\$ 18	\$ 23
Net book value of asset retirement obligation assets at end of period	\$	\$ 1	\$	\$ 1

(a) The accretion expense for the quarter and nine months ended September 30, 2013 reflects the increase due to additional cleanup costs required at the Upton Road, Canada facility.

(b) The accretion expense for the nine months ended September 30, 2012 reflects the acceleration of obligations related to the Pedrengo, Italy facility due to the shutdown approved on April 30, 2012.

Depreciation expense for the nine months ended September 30, 2013 and 2012 was less than \$1 million.

At September 30, 2013 and December 31, 2012, \$3 million and \$6 million, respectively, of asset retirement obligations were included in accrued expenses and \$15 million and \$14 million, respectively, were included in other liabilities in our Consolidated Balance Sheet.

**16) EMERGENCE FROM CHAPTER 11**

On March 18, 2009 (the *Petition Date* ) Chemtura and 26 of our U.S. affiliates (collectively the *U.S. Debtors* or the *Debtors* when used in relation to matters before August 8, 2010) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code ( *Chapter 11* ) 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. 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 after it filed for Chapter 11 (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 November 3, 2010, the Bankruptcy Court entered an order confirming the Debtors' plan of reorganization (the *Plan* ). On November 10, 2010 (the *Effective Date* ), the Debtors substantially consummated their reorganization through a series of transactions contemplated by the Plan and the Plan became effective.

## Edgar Filing: Chemtura CORP - Form 10-Q

### Table of Contents

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.

On December 1, 2011, we filed a motion requesting entry of an order granting a final decree closing the Chapter 11 cases of 22 Debtors (the Fully Administered Debtors):

- A&M Cleaning Products LLC
- Aqua Clear Industries, LLC
- ASEPSIS, Inc.
- ASCK, Inc.
- BioLab Company Store, LLC
- Biolab Franchise Company, LLC
- BioLab Textile Additives, LLC
- CNK Chemical Realty Corporation
- Crompton Colors Incorporated
- Crompton Holding Corporation
- Crompton Monochem, Inc.
- Great Lakes Chemical Global, Inc.
- GT Seed Treatment, Inc.
- HomeCare Labs, Inc
- ISCI, Inc.
- Kem Manufacturing Corporation
- Laurel Industries Holdings, Inc.
- Monochem, Inc.
- Naugatuck Treatment Company
- Recreational Water Products, Inc.
- Weber City Road LLC
- WRL of Indiana, Inc.

On December 15, 2011, the Bankruptcy Court entered an order granting a final decree closing the Fully Administered Debtors' Chapter 11 cases.

On January 5, 2012, we filed a motion with the Bankruptcy Court seeking authority to make a third supplemental distribution to Holders of Interests, which was granted by the Bankruptcy Court on January 26, 2012. The Bankruptcy Court extended the time to make the third supplemental distribution by order dated March 2, 2012 and authorized an increase to the third supplemental distribution by order dated March 8, 2012. The third supplemental distribution was made in March 2012 and included payments of \$3 million in cash and \$20 million in stock, valuing the stock at the Plan valuation.

On February 7, 2012, we filed a motion requesting entry of an order granting a final decree closing the Chapter 11 cases for Bio-Lab, Inc. and GLCC Laurel, LLC, which was granted by the Bankruptcy Court on February 22, 2012.

On March 16, 2012, we filed a motion requesting entry of an order granting a final decree closing the Chapter 11 cases for Great Lakes Chemical Corporation and Uniroyal Chemical Company Limited (Delaware), which was granted by the Bankruptcy Court on March 29, 2012.

On May 4, 2012, the Bankruptcy Court entered an order disallowing and expunging the last two general unsecured claims in Chemtura's Chapter 11 case.

In July 2012, we made a final distribution to Holders of Interests under the Plan including all amounts remaining in the Disputed Claims Reserve. The final distribution included \$3 million in stock valued at the Plan valuation.

## Edgar Filing: Chemtura CORP - Form 10-Q

On October 2, 2012, the Bankruptcy Court granted the motion of Momentive Performance Materials, Inc. ( Momentive ) for an order granting our prior motion under the Plan to assume our executory contract with Momentive and directing payment of a purportedly agreed cure claim. After a contested hearing, the Bankruptcy Court granted the motion by order dated October 17, 2012. The payment of the cure claim resolved all claims of default under the agreement through October 2, 2012.

As of December 31, 2012, there were no remaining undisbursed amounts in the Disputed Claims Reserve.

On January 31, 2013, the Bankruptcy Court granted Chemtura's motion to enforce the discharge injunction under the Plan against certain tort claimants. On February 7, 2013, the Bankruptcy Court entered a written order consistent with its ruling. On February 20, 2013, the claimants appealed the Bankruptcy Court's February 7, 2013 order, and the appeal is pending in the District Court for the Southern District of New York.

As of September 30, 2013, the Bankruptcy Court has entered orders granting final decrees closing all of the Debtors' Chapter 11 cases except the Chapter 11 case of Chemtura Corporation.

Reorganization items, net was \$1 million for the nine months ended September 30, 2013, primarily for professional fees. Reorganization items, net was \$1 million and \$4 million for the quarter and nine months ended September 30, 2012, respectively, which included \$3 million for professional fees and \$1 million for claim settlements. Claim settlements represent the difference between the settlement amount of certain pre-petition obligations (which for obligations settled in common stock are based on the fair value of our stock at the issuance date) and the corresponding carrying value of the recorded liabilities.

Table of Contents

**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, among other things, 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. 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.

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 final 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 were ultimately allowed by the

## Edgar Filing: Chemtura CORP - Form 10-Q

Bankruptcy Court, were satisfied (to the extent allowed and not covered by insurance) from the Disputed Claims Reserve. Holders of the Disputed Claims are permanently enjoined under the Plan from pursuing their claims against us. On May 4, 2012, the Bankruptcy Court entered an order disallowing the last Disputed Claim subject to the Disputed Claims Reserve. In July 2012, we made a final distribution to Holders of Interests in accordance with the Plan that included all amounts remaining in the Disputed Claims Reserve.

### **Litigation and Claims Not Discharged Under the Plan**

#### *Environmental Liabilities*

We are involved in environmental matters of various types in a number of jurisdictions. A number of such matters involve claims for material amounts of damages and relate to or allege environmental liabilities, including clean up costs associated with hazardous waste disposal sites and natural resource damages. The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ( CERCLA ), and comparable state statutes impose strict liability upon various classes of persons with respect to the costs associated with the investigation and remediation of waste disposal sites. Such persons are typically referred to as Potentially Responsible Parties or PRPs. Chemtura and several of our subsidiaries have been identified by federal, state or local governmental agencies or by other PRPs, as a PRP at various locations in the United States. Because in certain circumstances these laws have been construed to authorize the imposition of joint and several liability, the Environmental Protection Agency ( EPA ) and comparable state agencies could seek to recover all costs involving a waste disposal site from any one of the PRPs for such

Table of Contents

site, including Chemtura, despite the involvement of other PRPs. In many cases, we are one of a large number of PRPs with respect to a site. In a few instances, we are the sole or one of only a handful of PRPs performing investigation and remediation. Where other financially responsible PRPs are involved, we expect that any ultimate liability resulting from such matters will be apportioned between us and such other parties. In addition, we are involved with environmental remediation and compliance activities at some of our current and former sites in the United States and abroad.

Each quarter, we evaluate and review estimates for future remediation and other costs to determine appropriate environmental reserve amounts. For each site where the cost of remediation is probable and reasonably estimable, we determine the specific measures that are believed to be required to remediate the site, the estimated total cost to carry out the remediation plan, the portion of the total remediation costs to be borne by us and the anticipated time frame over which payments toward the remediation plan will occur. At sites where we expect to incur ongoing operation and maintenance expenditures, we accrue on an undiscounted basis for a period of generally 10 years those costs which we believe are probable and reasonably estimable.

On September 17, 2012, our subsidiary Great Lakes Chemical Corporation received an enforcement notice from the United States Department of Justice acting on behalf of the Environmental Protection Agency ( EPA ) which has alleged violations of a National Pollution Discharge Elimination System Permit issued under the Clean Water Act in conjunction with its facility in El Dorado, Arkansas. The EPA sought injunctive relief and civil penalties. We negotiated a consent decree with the EPA, including a penalty of less than \$1 million, to resolve the alleged violations, which was paid on September 6, 2013 in full satisfaction of the decree.

The total amount accrued for environmental liabilities as of September 30, 2013 and December 31, 2012 was \$95 million and \$84 million, respectively. At September 30, 2013 and December 31, 2012, \$18 million and \$15 million, respectively, of these environmental liabilities were reflected as accrued expenses and \$77 million and \$69 million, respectively, were reflected as other liabilities. We estimate that the reasonably possible ongoing environmental liabilities could range up to \$109 million at September 30, 2013. Our accruals for environmental liabilities include estimates for determinable clean-up costs. We recorded pre-tax charges of \$26 million for the nine months ended September 30, 2013 which included a \$21 million charge related to a legacy non-operating site in France, and made payments of \$9 million during the nine months ended September 30, 2013 for clean-up costs, which reduced our environmental liabilities. At certain sites, we have contractual agreements with certain other parties to share remediation costs. As of September 30, 2013, no receivables are outstanding related to these agreements. At a number of these sites, the extent of contamination has not yet been fully investigated or the final scope of remediation is not yet determinable. We intend to assert all meritorious legal defenses and will pursue other equitable factors that are available with respect to these matters. However, the final cost of clean-up at these sites could exceed our present estimates, and could have, individually or in the aggregate, a material adverse effect on our financial condition, results of operations, or cash flows. Our estimates for environmental remediation liabilities may change in the future should additional sites be identified, further remediation measures be required or undertaken, current laws and regulations be modified or additional environmental laws and regulations be enacted, and as negotiations with respect to certain sites.

*Other*

We are routinely subject to other civil claims, litigation and arbitration, and regulatory investigations, arising in the ordinary course of our business, as well as in respect of our divested businesses. Some of these claims and litigations relate to product liability claims, including claims related to our current and historical products and asbestos-related claims concerning premises and historic products of our corporate affiliates and predecessors. We believe the claims relating to the period before the filing of the Chapter 11 cases are subject to discharge pursuant to the Plan and have been satisfied, to the extent they were timely filed in the Chapter 11 cases and allowed by the Bankruptcy Court, solely from the Disputed Claims Reserve. Further, we believe that we have strong defenses to these claims. These claims have not had a material impact on us to date and we believe the likelihood that a future material adverse outcome will result from these claims is remote.

However, we cannot be certain that an adverse outcome of one or more of these claims, to the extent not discharged in the Chapter 11 cases, would not have a material adverse effect on our financial condition, results of operations or cash flows.

### **Guarantees**

In addition to the letters of credit of \$14 million outstanding at September 30, 2013 and December 31, 2012, respectively, we have guarantees that have been provided to various financial institutions. At September 30, 2013 and December 31, 2012, we had \$12 million of outstanding guarantees. The letters of credit and guarantees were primarily related to liabilities for insurance obligations, environmental obligations, banking and credit facilities, vendor deposits and European value added tax ( VAT ) obligations.

We have applied the disclosure provisions of ASC Topic 460, *Guarantees* ( ASC 460 ), to our agreements that contain guarantee or indemnification clauses. We are a party to several agreements pursuant to which we may be obligated to

Table of Contents

indemnify a third party with respect to certain loan obligations of joint venture companies in which we previously had an equity interest. These obligations arose to provide initial financing for a joint venture start-up, fund an acquisition and/or provide project capital. Such obligations mature through May 2016. In the event that any of the joint venture companies were to default on these loan obligations, we would indemnify the other party up to its proportionate share of the obligation based upon its ownership interest in the joint venture. At September 30, 2013 and December 31, 2012, the maximum potential future principal and interest payments due under these guarantees were \$3 million. In accordance with ASC 460, we have accrued less than \$1 million in reserves, which represents the probability weighted fair value of these guarantees at September 30, 2013 and December 31, 2012. The reserve has been included in other liabilities on our Consolidated Balance Sheet at September 30, 2013 and December 31, 2012 with an offset to other assets.

In addition, we have financing agreements with banks in Brazil for certain customers under which we receive funds from the banks at invoice date, and in turn, the customer agrees to pay the banks on the due date. We provide a full recourse guarantee to the banks in the event of customer non-payment.

In the ordinary course of business, we enter into contractual arrangements under which we may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on our behalf or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation, claims or environmental matters relating to our past performance. For any losses that we believe are probable and estimable, we have accrued for such amounts in our Consolidated Balance Sheets.

**18) BUSINESS SEGMENT DATA**

We evaluate a segment's performance based on several factors, of which the primary factor is operating income (loss). In computing operating income (loss) by segment, the following items have not been deducted: (1) general corporate expense; (2) amortization; (3) facility closures, severance and related costs; and (4) changes in estimates related to expected allowable claims. Pursuant to ASC Topic 280, *Segment Reporting* (ASC 280), these items have been excluded from our presentation of segment operating income (loss) because they are not reported to the chief operating decision maker for purposes of allocating resources among reporting segments or assessing segment performance.

**Industrial Performance Products**

Industrial Performance Products are engineered solutions for our customers' specialty chemical needs. Industrial Performance Products include petroleum additives that provide detergency, friction modification and corrosion protection in automotive lubricants, greases, refrigeration and turbine lubricants; castable urethane prepolymers engineered to provide superior abrasion resistance and durability in many industrial and recreational applications; and polyurethane dispersions and urethane prepolymers used in various types of coatings such as clear floor finishes, high-gloss paints and textiles treatments. These products are sold directly to manufacturers and through distribution channels.

**Industrial Engineered Products**

## Edgar Filing: Chemtura CORP - Form 10-Q

Industrial Engineered Products are chemical additives designed to improve the performance of polymers in their end-use applications. Industrial Engineered Products include brominated performance products, flame retardants, fumigants and organometallics. The products are sold across the entire value chain ranging from direct sales to monomer producers, polymer manufacturers, compounders and fabricators, fine chemical manufacturers, utilities, pharmaceutical manufactures and oilfield service companies to industry distributors.

### **Chemtura AgroSolutions**

Chemtura AgroSolutions develops, supplies, registers and sells agricultural chemicals formulated for specific crops in various geographic regions for the purpose of enhancing quality and improving yields. The business focuses on specific target markets in six major product lines: seed treatments, fungicides, miticides, insecticides, growth regulators and herbicides. These products are sold directly to growers and to major distributors in the agricultural sector.

Table of Contents

**Corporate and Other Charges**

Corporate includes costs and expenses that are of a general corporate nature or managed on a corporate basis. These costs (net of allocations to the business segments) primarily represent corporate stewardship and administration activities together with costs associated with legacy activities and intangible asset amortization. Functional costs are allocated between the business segments and general corporate expense. Certain functional and other expenses that are managed company-wide that were allocated to the Antioxidant and Consumer Product businesses do not transfer directly under the sale agreements. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under loss from discontinued operations, net of tax. These costs approximate \$5 million and \$7 million for the quarters ended September 30, 2013 and 2012, and \$16 million and \$20 million for the nine months ended September 30, 2013 and 2012, respectively. Additionally, our Corporate segment included \$3 million and \$4 million for the quarters ended September 30, 2013 and 2012, respectively and \$8 million and \$11 million for the nine months ended September 30, 2013 and 2012, respectively of amortization expense related directly to our Antioxidants business and Consumer Products segment which has been included in loss on discontinued operations, net of tax in our Consolidated Statement of Operations. Facility closures, severance and related costs are primarily for severance costs related to our cost savings initiatives. Change in estimates related to expected allowable claims relates to adjustments to resolve disputed claims.

**Discontinued Operations**

*Antioxidant Business*

On November 9, 2012, we announced the sale of our Antioxidant business, which closed on April 30, 2013. As a result of entering into this transaction, the assets and liabilities included in the Antioxidant Sale have been presented as assets and liabilities of discontinued operations and earnings and direct costs associated with the Antioxidant business have been presented as earnings (loss) from discontinued operations, net of tax. The Antioxidant business was formerly included in the Industrial Performance Product segment.

*Consumer Products*

In September 2013, our Board approved the sale of our Consumer Products segment subject to the completion of definitive transaction documents and in October 2013, we entered into a stock purchase agreement to sell our Consumer Products business, including dedicated manufacturing plants in the U.S. and South Africa, to KIK Custom Products Inc. ( KIK ) for \$315 million in cash at closing subject to certain customary pre- and post-closing adjustments, primarily for working capital and assumed pension liabilities.

As a result of the Board approval, the assets and liabilities of the Consumer Products segment have been presented as assets and liabilities held for sale. Additionally, we determined that discontinued operations treatment applied and earnings and direct costs associated with Consumer Products segment have been presented as earnings (loss) from discontinued operations, net of tax in our Consolidated Statements of Operations for the current and comparative periods.

The Antioxidant business and Consumer Products segment have therefore, been excluded from the following segment information.

## Edgar Filing: Chemtura CORP - Form 10-Q

A summary of business data for our reportable segments for the quarters and nine months ended September 30, 2013 and 2012 are as follows:

(In millions)	Quarters ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net Sales				
Petroleum additives	\$ 168	\$ 144	\$ 519	\$ 454
Urethanes	74	75	218	223
Industrial Performance Products	242	219	737	677
Bromine based & related products	166	169	485	549
Organometallics	42	44	123	126
Industrial Engineered Products	208	213	608	675
Chemtura AgroSolutions	119	114	342	311
Total net sales	\$ 569	\$ 546	\$ 1,687	\$ 1,663

Table of Contents

(In millions)	Quarters ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Operating Income				
Industrial Performance Products	\$ 24	\$ 28	\$ 84	\$ 82
Industrial Engineered Products	1	30	34	112
Chemtura AgroSolutions	24	21	69	54
	49	79	187	248
General corporate expense, including amortization	(19)	(28)	(85)	(85)
Facility closures, severance and related costs	(3)	(2)	(28)	(8)
Changes in estimates related to expected allowable claims		1		(1)
Total operating income	\$ 27	\$ 50	\$ 74	\$ 154

Table of Contents**19) GUARANTOR CONDENSED CONSOLIDATING FINANCIAL DATA**

Our obligations under the 2018 Senior Notes and 2021 Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally, by each current and future domestic restricted subsidiary, other than excluded subsidiaries that guarantee any indebtedness of Chemtura or our restricted subsidiaries. Our subsidiaries that do not guarantee the 2018 Senior Notes and 2021 Senior Notes are referred to as the Non-Guarantor Subsidiaries. The Guarantor Condensed Consolidating Financial Data presented below presents the statements of operations, statements of comprehensive (loss) income, balance sheets and statements of cash flow for: (i) Chemtura Corporation (the Parent Company), the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on a consolidated basis (which is derived from Chemtura historical reported financial information); (ii) the Parent Company, alone (accounting for our Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on an equity basis under which the investments are recorded by each entity owning a portion of another entity at cost, adjusted for the applicable share of the subsidiary's cumulative results of operations, capital contributions and distributions, and other equity changes); (iii) the Guarantor Subsidiaries alone; and (iv) the Non-Guarantor Subsidiaries alone.

**Condensed Consolidating Statement of Operations****Quarter ended September 30, 2013***(In millions)*

	Consolidated		Eliminations		Parent Company		Guarantor Subsidiaries		Non-Guarantor Subsidiaries	
Net sales	\$	569	\$	(509)	\$	362	\$	129	\$	587
Cost of goods sold		448		(509)		330		113		514
Selling, general and administrative		58				27		4		27
Depreciation and amortization		24				7		9		8
Research and development		9				4		1		4
Facility closures, severance and related costs		3				3				
Operating income (loss)		27				(9)		2		34
Interest expense		(14)				(16)				2
Loss on early extinguishment of debt		(50)				(50)				
Other (expense) income, net		(4)				(6)		(1)		3
Equity in net earnings of subsidiaries				(45)		45				
(Loss) earnings from continuing operations before income taxes		(41)		(45)		(36)		1		39
Income tax (expense) benefit		(3)				1				(4)
(Loss) earnings from continuing operations		(44)		(45)		(35)		1		35
Earnings (loss) from discontinued operations, net of tax		7				(1)		6		2
(Loss) gain on sale of discontinued operations, net of tax		(3)				(4)				1
Net (loss) earnings attributable to Chemtura	\$	(40)	\$	(45)	\$	(40)	\$	7	\$	38

Table of Contents**Condensed Consolidating Statement of Operations****Nine months ended September 30, 2013***(In millions)*

	<b>Consolidated</b>	<b>Eliminations</b>	<b>Parent Company</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
Net sales	\$ 1,687	\$ (1,357)	\$ 1,118	\$ 353	\$ 1,573
Cost of goods sold	1,310	(1,357)	970	300	1,397
Selling, general and administrative	169		81	12	76
Depreciation and amortization	76		21	32	23
Research and development	27		11	5	11
Facility closures, severance and related costs	28		15		13
Equity loss	3				3
Operating income	74		20	4	50
Interest expense	(45)		(50)		5
Loss on early extinguishment of debt	(50)		(50)		
Other income (expense), net	11		(11)	(1)	23
Reorganization items, net	(1)		(1)		
Equity in net earnings of subsidiaries		(46)	46		
(Loss) earnings from continuing operations before income taxes	(11)	(46)	(46)	3	78
Income tax expense	(24)				(24)
(Loss) earnings from continuing operations	(35)	(46)	(46)	3	54
Earnings from discontinued operations, net of tax	28		2	22	4
Loss on sale of discontinued operations, net of tax	(149)		(112)		(37)
Net (loss) earnings attributable to Chemtura	\$ (156)	\$ (46)	\$ (156)	\$ 25	\$ 21

**Condensed Consolidating Statement of Comprehensive Loss****Quarter ended September 30, 2013***(in millions)*

	<b>Consolidated</b>	<b>Eliminations</b>	<b>Parent Company</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
Net (loss) earnings	\$ (40)	\$ (45)	\$ (40)	\$ 7	\$ 38
Other comprehensive income (loss), net of tax					
Foreign currency translation adjustments	25		(20)	3	42
Unrecognized pension and other post-retirement benefit costs	5		4		1
Comprehensive income (loss) attributable to Chemtura	\$ (10)	\$ (45)	\$ (56)	\$ 10	\$ 81

Edgar Filing: Chemtura CORP - Form 10-Q

Condensed Consolidating Statement of Comprehensive Loss

Nine months ended September 30, 2013

(in millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net (loss) earnings	\$ (156)	\$ (46)	\$ (156)	\$ 25	\$ 21
Other comprehensive (loss) income, net of tax					
Foreign currency translation adjustments	(16)		(10)	2	(8)
Unrecognized pension and other post-retirement benefit costs	142		141		1
Comprehensive (loss) income attributable to Chemtura	\$ (30)	\$ (46)	\$ (25)	\$ 27	\$ 14

Table of Contents**Condensed Consolidating Balance Sheet****As of September 30, 2013***(In millions)*

	<b>Consolidated</b>	<b>Eliminations</b>	<b>Parent Company</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
<b>ASSETS</b>					
Current assets	\$ 1,652	\$	\$ 351	\$ 373	\$ 928
Intercompany receivables		(10,021)	3,948	3,656	2,417
Investment in subsidiaries		(8,432)	1,756	1,633	5,043
Property, plant and equipment	716		124	224	368
Goodwill	177		92	3	82
Other assets	299		136	41	122
Total assets	\$ 2,844	\$ (18,453)	\$ 6,407	\$ 5,930	\$ 8,960
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>					
Current liabilities	\$ 494	\$	\$ 128	\$ 113	\$ 253
Intercompany payables		(10,021)	4,175	3,847	1,999
Long-term debt	892		874		18
Other long-term liabilities	461		233	11	217
Total liabilities	1,847	(10,021)	5,410	3,971	2,487
Stockholders' equity	997	(8,432)	997	1,959	6,473
Total liabilities and stockholders' equity	\$ 2,844	\$ (18,453)	\$ 6,407	\$ 5,930	\$ 8,960

Table of Contents**Condensed Consolidating Statement of Cash Flows****Nine months ended September 30, 2013***(In millions)*

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
<u>Increase (decrease) to cash</u>					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net (loss) earnings	\$ (156)	\$ (46)	\$ (156)	\$ 25	\$ 21
Adjustments to reconcile net (loss) earnings to net cash (used in) provided by operations:					
Loss on sale of discontinued operations	149		112		37
Impairment charges					
Release of cumulative translation adjustment from liquidation of entities	(15)				(15)
Loss on early extinguishment of debt	50		50		
Depreciation and amortization	93		21	38	34
Stock-based compensation expense	11		11		
Equity loss	1				1
Changes in assets and liabilities, net	(74)	46	(36)	(23)	(61)
Net cash (used in) provided by operations	59		2	40	17
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from divestments, net	91		(4)		95
Payments for acquisitions, net of cash acquired	(3)				(3)
Capital expenditures	(124)		(14)	(35)	(75)
Net cash provided by (used in) investing activities	(36)		(18)	(35)	17
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from 2021 Senior Notes	450		450		
Payments on 2018 Senior Notes, includes premium on tendering of notes	(395)		(395)		
Payments on Term Loan	(102)		(102)		
Proceeds from other long-term borrowings	27		7		20
Payments on other long-term borrowings	(3)				(3)
Payments on other short-term borrowings, net	(1)				(1)
Common shares acquired	(50)		(50)		
Payment for debt issuance costs	(8)		(8)		
Proceeds from the exercise of stock options	6		6		
Net cash used in financing activities	(76)		(92)		16
<b>CASH AND CASH EQUIVALENTS</b>					
Effect of exchange rates on cash and cash equivalents	(1)				(1)
Change in cash and cash equivalents	(54)		(108)	5	49
Cash and cash equivalents at beginning of period	365		193		172
Cash and cash equivalents at end of period	\$ 311	\$	\$ 85	\$ 5	\$ 221



Table of Contents**Condensed Consolidating Statement of Operations****Quarter ended September 30, 2012***(In millions)*

	<b>Consolidated</b>	<b>Eliminations</b>	<b>Parent Company</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>
Net sales	\$ 546	\$ (405)	\$ 364	\$ 121	\$ 466
Cost of goods sold	398	(405)	300	91	412
Selling, general and administrative	60		31	6	23
Depreciation and amortization	26		7	11	8
Research and development	10		5	1	4
Facility closures, severance and related costs	2		1		1
Change in estimates related to expected allowable claims	(1)		(1)		
Equity loss	1				1
Operating income	50		21	12	17
Interest expense	(17)		(16)		(1)
Other (expense) income, net	(5)		(9)	1	3
Reorganization items, net	(1)		(1)		
Equity in net earnings of subsidiaries		(21)	21		
Earnings from continuing operations before income taxes	27	(21)	16	13	19
Income tax expense	(5)				(5)
Earnings from continuing operations	22	(21)	16	13	14
Loss from discontinued operations, net of tax	(15)		(7)	9	(17)
Net earnings (loss)	7	(21)	9	22	(3)
Less: Net loss attributed to non-controlling interests	2				2
Net earnings (loss) attributable to Chemtura	\$ 9	\$ (21)	\$ 9	\$ 22	\$ (1)

Table of Contents**Condensed Consolidating Statement of Operations**

Nine months ended September 30, 2012

*(In millions)*

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net sales	\$ 1,663	\$ (1,239)	\$ 1,132	\$ 337	\$ 1,433
Cost of goods sold	1,209	(1,239)	905	286	1,257
Selling, general and administrative	182		88	13	81
Depreciation and amortization	75		19	33	23
Research and development	31		14	4	13
Facility closures, severance and related costs	8		5		3
Change in estimates related to expected allowable claims	1		1		
Equity loss	3				3
Operating income	154		100	1	53
Interest expense	(47)		(51)	2	2
Other (expense) income, net	(3)		(10)	1	6
Reorganization items, net	(4)		(4)		
Equity in net earnings of subsidiaries		(50)	50		
Earnings from continuing operations before income taxes	100	(50)	85	4	61
Income tax expense	(16)				(16)
Earnings from continuing operations	84	(50)	85	4	45
(Loss) earnings from discontinued operations, net of tax	(4)		(4)	20	(20)
Net earnings	80	(50)	81	24	25
Less: Net loss attributed to non-controlling interests	1				1
Net earnings attributable to Chemtura	\$ 81	\$ (50)	\$ 81	\$ 24	\$ 26

**Condensed Consolidating Statement of Comprehensive Income (Loss)**

Quarter ended September 30, 2012

*(In millions)*

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net earnings (loss)	\$ 7	\$ (21)	\$ 9	\$ 22	\$ (3)
Other comprehensive income (loss), net of tax					
Foreign currency translation adjustments	37		(18)	2	53
Unrecognized pension and other post-retirement benefit costs	7		6		1

Edgar Filing: Chemtura CORP - Form 10-Q

Comprehensive income (loss)	51	(21)	(3)	24	51
Comprehensive loss attributable to non-controlling interests	2				2
Comprehensive income (loss) attributable to Chemtura	\$ 53	\$ (21)	\$ (3)	\$ 24	\$ 53

Table of Contents**Condensed Consolidating Statement of Comprehensive Income (Loss)**

Nine months ended September 30, 2012

*(In millions)*

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net earnings	\$ 80	\$ (50)	\$ 81	\$ 24	\$ 25
Other comprehensive income (loss), net of tax					
Foreign currency translation adjustments	15		(3)		18
Unrecognized pension and other post-retirement benefit costs	6		3		3
Comprehensive income	101	(50)	81	24	46
Comprehensive loss attributable to non-controlling interests	1				1
Comprehensive income attributable to Chemtura	\$ 102	\$ (50)	\$ 81	\$ 24	\$ 47

**Condensed Consolidating Balance Sheet**

As of December 31, 2012

*(In millions)*

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
<b>ASSETS</b>					
Current assets	\$ 1,612	\$	\$ 505	\$ 213	\$ 894
Intercompany receivables		(9,412)	3,531	3,065	2,816
Investment in subsidiaries		(8,831)	1,738	1,633	5,460
Property, plant and equipment	655		127	215	313
Goodwill	177		92	3	82
Other assets	586		131	233	222
Total assets	\$ 3,030	\$ (18,243)	\$ 6,124	\$ 5,362	\$ 9,787
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>					
Current liabilities	\$ 511	\$	\$ 210	\$ 69	\$ 232
Intercompany payables		(9,412)	3,676	3,305	2,431
Long-term debt	871		870		1
Other long-term liabilities	580		300	56	224
Total liabilities	1,962	(9,412)	5,056	3,430	2,888
Stockholders equity	1,068	(8,831)	1,068	1,932	6,899
Total liabilities and stockholders equity	\$ 3,030	\$ (18,243)	\$ 6,124	\$ 5,362	\$ 9,787



Table of Contents**Condensed Consolidating Statement of Cash Flows**

Nine months ended September 30, 2012

*(In millions)*

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
<u>Increase (decrease) to cash</u>					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net earnings	\$ 80	\$ (50)	\$ 81	\$ 24	\$ 25
Adjustments to reconcile net earnings to net cash provided by operations:					
Impairment charges	36		10		26
Depreciation and amortization	104		27	38	39
Stock-based compensation expense	14		14		
Reorganization items, net	1		1		
Changes in estimates related to expected allowable claims	1		1		
Equity income	(2)				(2)
Changes in assets and liabilities, net	(123)	50	(94)	(32)	(47)
Net cash provided by operations	111		40	30	41
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Net proceeds from divestments	9				9
Capital expenditures	(94)		(16)	(30)	(48)
Net cash used in investing activities	(85)		(16)	(30)	(39)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from A/R Financing Facility, net	2				2
Payments on other short-term borrowings, net	(3)				(3)
Common shares acquired	(20)		(20)		
Payment for debt issuance costs	(1)				(1)
Proceeds from exercise of stock options	2		2		
Net cash used in financing activities	(20)		(18)		(2)
<b>CASH AND CASH EQUIVALENTS</b>					
Effect of exchange rates on cash and cash equivalents	1				1
Change in cash and cash equivalents	7		6		1
Cash and cash equivalents at beginning of period	180		35		145
Cash and cash equivalents at end of period	\$ 187	\$	\$ 41	\$	\$ 146

Table of Contents

**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements included in Item 1 of this Form 10-Q.

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements. See forward-looking statements for a discussion of certain risks, assumptions and uncertainties associated with these statements.

**OUR BUSINESS**

We are a large publicly traded specialty chemical company in the United States. We are dedicated to delivering innovative, application-focused specialty chemical solutions. We operate in a wide variety of end-use industries, including agriculture, automotive, building and construction, electronics, lubricants, packaging, industrial water chemicals and transportation. The majority of our chemical products are sold to industrial manufacturing customers for use as additives, ingredients or intermediates that add value to their end products. Our agrochemical products are sold to dealers, distributors and major retailers. We are a leader in many of our key product lines and transact business in more than 100 countries.

The primary economic factors that influence the operations and sales of our Industrial Performance Products ( Industrial Performance ) and Industrial Engineered Products ( Industrial Engineered ) segments (collectively referred to as Industrials ) are industrial, electronic component and polymer production, residential and commercial construction and transportation markets. In addition, our Chemtura AgroSolutions segment is influenced by worldwide weather, disease and pest infestation conditions.

Other factors affecting our financial performance include industry capacity, customer demand, raw material and energy costs, and selling prices. Selling prices are influenced by the global demand and supply for the products we produce. We pursue selling prices that reflect the value our products deliver to our customers, while seeking to pass on higher costs for raw material and energy to preserve our profit margins.

In September 2013 our Board of Directors ( the Board ) approved the sale of our Consumer Products segment subject to the completion of definitive transaction documents and in October 2013, we entered into a stock purchase agreement to sell our Consumer Products business, including dedicated manufacturing plants in the U.S. and South Africa, to KIK Custom Products Inc. ( KIK ) for \$315 million in cash at closing subject to certain customary pre- and post-closing adjustments, primarily for working capital and assumed pension liabilities.

As a result of the Board approval, the assets and liabilities of the Consumer Products segment have been presented as assets and liabilities held for sale. Additionally, we determined that discontinued operations treatment applied and earnings and direct cost associated with Consumer Products segment have been presented as (loss) earnings from discontinued operations, net of tax in our Consolidated Statements of Operations for the current and comparative periods.

## Edgar Filing: Chemtura CORP - Form 10-Q

Additionally, in October 2013 our Board approved the exploration of a sale of our agrochemicals business, Chemtura AgroSolutions. The agreement to sell the Consumer Products business, combined with the decision to explore a sale of Chemtura AgroSolutions, is aimed at delivering substantial near-term value to shareholders and further focusing on opportunities to create additional value as a pure-play leader in the global development, marketing, manufacture and sale of industrial specialty chemicals. There is no definitive timetable for the sale process and there can be no assurance that the process will result in a sale of the Chemtura AgroSolutions business. Therefore, as of September 30, 2013, we did not meet the criteria to report the assets and liabilities associated with this segment as assets held for sale and therefore, the earnings and direct costs of this segment have been included as part of our continuing operations.

In April 2013, we completed the sale of our Antioxidant and UV Stabilizer business (the Antioxidant Sale ), including dedicated manufacturing plants in the U.S., France, and Germany, to affiliates of SK Capital Partners. As a result of entering into this transaction beginning in 2012, we determined that discontinued operations treatment applied. The assets and liabilities included in the Antioxidant Sale have been presented as assets and liabilities of discontinued operations and earnings and direct costs associated with the Antioxidant business have been presented as a loss from discontinued operations, net of tax for the current and comparative periods (for further discussion, see Note 2 Acquisitions and Divestitures in our Notes to Consolidated Financial Statements).

Table of Contents

**THIRD QUARTER RESULTS**

**Overview**

Consolidated net sales for the third quarter of 2013 were \$569 million or \$23 million higher than the third quarter of 2012 driven by higher volume of \$32 million, offset by a \$7 million overall decrease in selling prices and the unfavorable effect of foreign currency translation of \$2 million. Improvements in sales volume for our Industrial Performance and Chemtura AgroSolutions segments were offset by reductions in sales volume from our Industrial Engineered segment. Our Industrial Performance segment led the sales volume growth with an increase in petroleum additives and certain synthetic products offset somewhat by a decline in urethane products used in mining and electrical applications. Our Chemtura AgroSolutions segment reported improved sales volume and sales prices primarily driven by increased demand for insecticides and seed treatment products in Latin America. Our Industrial Engineered segment experienced some improvement in volume from the third quarter of 2012, but weak demand from key end markets for insulated foam and electronic applications, continued to exert pressure on selling prices.

Gross profit for the third quarter of 2013 was \$121 million, a decrease of \$27 million compared with the third quarter of 2012. Gross profit as a percentage of net sales decreased to 21% for the third quarter of 2013 as compared with 27% for the third quarter of 2012. Gross profit was impacted by \$7 million in lower selling prices, \$6 million in unfavorable manufacturing costs and variances, a \$6 million charge associated with the increase in our excess inventory reserve due to a prolonged reduction in electronics demand for our brominated flame retardant products, \$2 million of start-up costs associated with our Nantong, China and Ankerweg, Netherlands facilities, an increase of \$2 million for an environmental reserve at our El Dorado, Arkansas facility and a \$4 million increase in other costs.

Selling, general and administrative ( SG&A ) expenses of \$58 million were \$2 million lower than the third quarter of 2012, primarily the result of lower staff count and associated employee incentive plan accruals related to our restructuring initiatives in 2012 and 2013, and the sale of a non-operating site, partially offset by accelerated recognition of asset retirement obligations of \$2 million, costs associated with the exploration of the sale of our Chemtura AgroSolutions segment and an increase in workers compensation expense.

Depreciation and amortization expense of \$24 million was \$2 million lower than the third quarter of 2012.

Research and development expense ( R&D ) of \$9 million was slightly lower than the third quarter of 2012.

Facility closures, severance and related costs were \$3 million in the third quarter of 2013 compared with \$2 million in the third quarter of 2012. During the first quarter of 2013, the Board approved a restructuring plan providing for, among other things, actions to reduce stranded costs related to ongoing strategic initiatives. The expense in 2013 primarily related to the cost of severance associated with this program. The expense in 2012 primarily related to initiatives to improve operating effectiveness of certain global corporate functions.

Interest expense was \$14 million during the third quarter of 2013 which was \$3 million lower than 2012, primarily due to higher capitalized interest expense in 2013 and fees associated with the securitization program which was suspended in the fourth quarter of 2012.

Loss on the early extinguishment of debt of \$50 million in the third quarter of 2013, included \$42 million for the difference between the principal amount of the 2018 Senior Notes tendered and the sum of the tender offer consideration and consent payments and \$8 million for the write-off of unamortized capitalized financing costs and original issuance discount with respect to the 2018 Senior Notes purchased under the tender offer.

Other expense, net of \$4 million in the third quarter of 2013 was slightly lower than the third quarter of 2012.

The income tax expense in the third quarter of 2013 was \$3 million compared with expense of \$5 million in the third quarter of 2012. The tax expense reported in the third quarter of 2013 relates to taxable income of certain of our international subsidiaries. The tax expense reported for the third quarter of 2012 relates to taxable income of certain of our international subsidiaries reduced by the tax benefit of elements of the third quarter of 2012 restructuring charge. In the quarter ended September 30, 2013, we established a valuation allowance against the tax benefits associated with our U.S. losses. We offset our third quarter of 2012, U.S. taxable income with net operating loss carryforwards and reduced the associated valuation allowance.

Net loss from continuing operations attributable to Chemtura for the third quarter of 2013 were \$44 million, or \$0.45 per diluted share, as compared with net earnings from continuing operations attributable to Chemtura of \$22 million, or \$0.22 per diluted share, for the third quarter of 2012.

Table of Contents

Earnings from discontinued operations, net of tax attributable to Chemtura for the third quarter of 2013, was \$7 million, or \$0.07 per diluted share, as compared with a loss of \$13 million, or \$0.13 per diluted share, for the third quarter of 2012. Discontinued operations represents the Antioxidant business and Consumer Products segment.

Loss on sale of discontinued operations, net of tax attributable to Chemtura for the third quarter of 2013, was \$3 million, or \$0.03 per diluted share, which represents the Antioxidant business.

The following is a discussion of the results of our segments for the third quarter ended September 30, 2013.

**Industrial Performance Products**

Our Industrial Performance Products segment reported a decrease in operating income for the third quarter of 2013, compared with the same quarter of 2012. Sales volume increased due to improved demand for our petroleum additives and certain synthetic lubricant products which offset declines in sales volume of our urethane products as a result of weak demand in mining and electronic applications across all regions. We did not realize the full benefit of the increased sales volume given the higher mix of lower margin products. Selling price increases, primarily in our urethanes products, offset increases in raw material costs and higher costs associated with the start-up of our Nantong, China and Ankerweg, Netherlands facilities.

Net sales totaled \$242 million in the third quarter of 2013, an increase of \$23 million compared with the same period last year. The increase reflected \$21 million in higher sales volume, a \$1 million year-over-year increase in selling prices and \$1 million from favorable foreign currency translation.

Operating income of \$24 million in the third quarter of 2013, was a decrease of \$4 million compared with last year. Operating income reflected \$2 million in unfavorable manufacturing costs, primarily related to the Nantong and Ankerweg facility start-ups and \$2 million for the accelerated recognition of asset retirement obligations.

**Industrial Engineered Products**

Our Industrial Engineered Products segment reported lower operating income for the third quarter of 2013, primarily the result of lower year-on-year sales prices and volumes for the brominated flame retardants used in styrene based insulation foam applications. Demand for flame retardants used in electronic applications was modestly higher. Some of this weakness was offset by stronger demand for clear brine fluids used in off-shore gas production and other industrial applications coupled with an increase in the sales volume of organometallic tin-based products which carry lower profit margins. Operating income also reflected unfavorable manufacturing costs and increases to our excess inventory reserves due to the prolonged lower brominated flame retardant demand in electronic applications.

## Edgar Filing: Chemtura CORP - Form 10-Q

Net sales decreased by \$5 million to \$208 million for the third quarter of 2013 reflecting \$14 million in lower selling prices, offset by an \$8 million increase in sales volumes and \$1 million from favorable foreign currency translation.

Operating income of \$1 million in the third quarter of 2013 was \$29 million lower than the third quarter of 2012. The decrease in operating income reflected the lower selling prices, \$6 million in unfavorable manufacturing costs and variances, a \$6 million charge for the increase in our excess inventory reserves due to lower demand, a \$5 million increase in other costs, offset by a \$2 million increase due to higher sales volume and product mix changes.

### **Chemtura AgroSolutions**

Our Chemtura AgroSolutions segment generated higher net sales and operating income for the third quarter of 2013 compared with the same quarter in 2012. Strong demand and sales prices for insecticides and seed treatment products in Latin America represents the primary driver of the increase in net sales compared to the same quarter in 2012. Lower sales volume in North American was offset by increased sales volume in Europe. Operating income reflected the benefit of the increase in selling prices and lower raw material and manufacturing costs.

Net sales increased by \$5 million to \$119 million for the third quarter of 2013 from \$114 million in the same quarter of 2012. The increase reflected \$6 million in higher selling prices and \$3 million in higher sales volume partly offset by \$4 million of unfavorable foreign currency translation.

Operating income increased \$3 million to \$24 million in the third quarter of 2013 compared with \$21 million in the third quarter of 2012, reflecting the higher selling prices, \$2 million in lower manufacturing costs and \$2 million in lower raw material costs, offset in part by \$2 million in unfavorable foreign currency translation, \$1 million from product mix changes, and a \$4 million increase in other costs.

Table of Contents

**Corporate**

Included in corporate are costs of a general nature or managed on a corporate basis. These costs, net of allocations to the business segments, primarily represent corporate stewardship and administration activities together with costs associated with legacy activities and intangible asset amortization. Functional costs are allocated between the business segments and general corporate expense.

Corporate expense was \$19 million in the third quarter of 2013, which included amortization expense related to intangible assets and depreciation expense of \$4 million. In comparison, corporate expense was \$28 million in the third quarter of 2012, which included amortization expense related to intangible assets and depreciation expense of \$5 million. The decrease was primarily due to lower expense for employee incentive plan accruals and the sale of a non-operating site offset by our initiative to explore the sale of Chemtura AgroSolutions, increased workers compensation expense and an increase in our environmental reserves at our El Dorado, Arkansas facility.

Certain functional and other expenses that are managed company-wide are allocated to our segments. The portion of such costs allocated to the Antioxidant and Consumer Products businesses have not or will not transfer directly under the respective sale agreements. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under earnings (loss) from discontinued operations, net of tax. Costs related to the Antioxidant business were eliminated during the first half of 2013 such that there was no expense in the third quarter of 2013 and were \$3 million for the third quarter of 2012. Costs related to the Consumer Products segment were \$5 million and \$4 million for the third quarters of 2013 and 2012, respectively. Additionally, our Corporate segment had included \$3 million and \$4 million, for the third quarter of 2013 and 2012 respectively, of amortization expense related directly to our Antioxidant business and Consumer Products segment which has now been included in earnings (loss) on discontinued operations, net of tax in our Consolidated Statement of Operations.

**YEAR TO DATE RESULTS**

**Overview**

Consolidated net sales were \$1,687 million for the nine months ended September 30, 2013 or \$24 million higher than 2012 driven by a \$40 million increase in volume, offset by an \$8 million overall decrease in selling prices and the unfavorable effect of foreign currency translation of \$8 million. Our Industrial Performance segment reported a \$50 million increase in sales volume from our petroleum additives and certain synthetic products across all regions partly offset by continued weakness in urethane product sales particularly driven by weakness in mining and electronic applications in all regions. Chemtura AgroSolutions segment reported a \$26 million increase in sales volume driven by strong sales in North and Latin Americas and strong selling prices driven by higher demand. Our Industrial Engineered segment continued to experience weak demand for insulated foam and electronic application products resulting in a \$36 million decline in sales volume and a \$30 million decrease in overall selling prices resulting from market pricing pressures given the lower demand.

Gross profit for the nine months ended September 30, 2013 was \$377 million, a decrease of \$77 million compared with the nine months ended September 30, 2012. Gross profit as a percentage of net sales, decreased to 22% for the nine months ended September 30, 2013 compared with 27% for the same period of 2012. Gross profit was impacted by \$16 million in unfavorable manufacturing costs and variances, a \$21 million increase in an environmental reserve in 2013 for the costs to remediate a legacy non-operating site in France, \$8 million in lower selling prices, \$7 million from unfavorable product mix, \$6 million increase in our excess inventory reserves due to lower electronics demand for brominated

## Edgar Filing: Chemtura CORP - Form 10-Q

products, \$5 million from the unfavorable effect of foreign currency translation, \$5 million in higher raw material and distribution costs, a \$2 million increase in an environmental reserve at our El Dorado, Arkansas facility, \$2 million of start-up costs associated with our new facilities in Nantong, China and Ankerweg, Netherlands and a \$5 million increase in other costs.

SG&A expense of \$169 million was \$13 million lower than the nine months ended September 30, 2012, primarily the result of lower staff count and associated employee incentive plan accruals and other costs related to our restructuring initiatives in 2012 and 2013. Included in the nine months ended September 30, 2013 is \$2 million associated with the accelerated recognition of asset retirement obligations, \$1 million in costs related to the exploration of the sale of our Chemtura AgroSolutions segment and an increase in workers compensation expense, offset by a gain of \$2 million related to an adjustment for a legacy pension plan, \$2 million related to the sale of a non-operating site and the benefit of lower pension expense related to the transfer of pension obligations to Addivant in April 2013.

Depreciation and amortization expense of \$76 million was \$1 million higher than the nine months ended September 30, 2012, primarily related to accelerated depreciation of property, plant and equipment.

R&D expense of \$27 million was \$4 million lower than the nine months ended September 30, 2012.

Facility closures, severance and related costs of \$28 million in the nine months ended September 30, 2013 compared with \$8 million for the nine months ended September 30, 2012. The expense relates to our cost saving initiatives announced in 2013 and 2012.

## Edgar Filing: Chemtura CORP - Form 10-Q

### Table of Contents

Changes in estimates related to expected allowable claims were \$1 million for the nine months ended September 30, 2012, as we reduced the number of claims remaining in our Disputed Claim Reserve.

Interest expense of \$45 million during the nine months ended September 30, 2013 was \$2 million lower than the nine months ended September 30, 2012, primarily due to higher capitalized interest expense in 2013 and fees associated with the securitization program in 2012, offset by higher borrowings under the senior secured term loan facility due 2016 (the Term Loan ).

Loss on the early extinguishment of debt of \$50 million for the nine months ended September 30, 2013 included \$42 million for the difference between the principal amount of the 2018 Senior Notes tendered and the sum of the tender offer consideration and consent payments and \$8 million for the write-off of unamortized capitalized financing costs and original issuance discount with respect to the 2018 Senior Notes purchased under the tender offer.

Other income, net was \$11 million for the nine months ended September 30, 2013 compared with other expense, net of \$3 million for the nine months ended September 30, 2012. During 2013, we recognized a gain of \$15 million related to the release of cumulative translation adjustments associated with the rationalization of certain European subsidiaries that are no longer required.

Reorganization items, net of \$1 million in the nine months ended September 30, 2013 was \$3 million lower than the nine months ended September 30, 2012. The expense in both periods primarily comprised professional fees directly associated with the Chapter 11 reorganization.

The income tax expense in the nine months ended September 30, 2013 was \$24 million compared with expense of \$16 million in the nine months ended September 30, 2012. The tax expense reported in the nine months ended September 30, 2013 relates to taxable income of certain of our international subsidiaries. The tax expense reported for the nine months ended September 30, 2012 relates to taxable income of certain of our international subsidiaries reduced by the tax benefit of elements of the third quarter of 2012 restructuring charge. In the nine months ended September 30, 2013, we established a valuation allowance against the tax benefits associated with our year-to-date U.S. losses.

Loss from continuing operations attributable to Chemtura for the nine months ended September 30, 2013 were \$35 million, or \$0.36 per diluted share, as compared with earnings from continuing operations attributable to Chemtura of \$84 million, or \$0.85 per diluted share, for the nine months ended September 30, 2012.

Earnings from discontinued operations, net of tax attributable to Chemtura for the nine months ended September 30, 2013, was \$28 million, or \$0.29 per diluted share, as compared with a loss of \$3 million, or \$0.03 per diluted share, for the nine months ended September 30, 2012. Discontinued operations represents the Antioxidant business and Consumer Products segment.

Loss on sale of discontinued operations, net of tax attributable to Chemtura for the nine months ended September 30, 2013, was \$149 million, or \$1.52 per diluted share which represents the Antioxidant business.

## Edgar Filing: Chemtura CORP - Form 10-Q

The following is a discussion of the results of our segments for the nine months ended September 30, 2013.

### **Industrial Performance Products**

Our Industrial Performance segment reported higher net sales and operating income in the nine months ended September 30, 2013 compared with the same nine months of 2012. We are showing some recovery in sales of petroleum additive products across all regions as well as the benefit of a modest increase in selling prices. These gains were partially offset by weakness in mining and electronic applications which is affecting our urethane products globally. Operating income benefited from the higher selling prices over the increase in raw material costs but we did not see the full impact of the volume improvements due to a greater percentage of lower margin products being sold coupled with start-up costs of our Nantong, China and Ankerweg, Netherlands facilities.

Net sales totaled \$737 million in the nine months ended September 30, 2013, an increase of \$60 million compared with last year. The increase reflected higher sales volume totaling \$50 million, higher selling prices of \$9 million and favorable foreign currency translation of \$1 million.

Operating income totaled \$84 million in the nine months ended September 30, 2013, an increase of \$2 million compared with the same period last year. Operating income benefited from the higher selling prices and \$4 million in higher sales volume net of unfavorable product mix, offset by higher raw material costs of \$3 million, accelerated recognition of asset retirement

Table of Contents

obligations of \$2 million, unfavorable manufacturing costs, variances and start-up costs of \$2 million, an increase in SG&A and R&D (collectively, SGA&R ) costs of \$2 million and an increase in other costs of \$2 million.

**Industrial Engineered Products**

Our Industrial Engineered segment reported lower net sales and operating income in 2013 compared with the same nine month period ended September 30, 2012. We continue to experience weakness in demand throughout 2013 for insulation foam and electronic application products compared with very strong market growth particularly in insulation foam applications during the first nine months of 2012. This weakness was only partially offset by some marginal improvement in oilfield applications and tin- based product demand from 2012. Due to the weaker market in 2013, we have felt competitive pricing pressures which caused our sales and margins to decrease further. The segment's operating income was further impacted by unfavorable manufacturing costs and variances and the increase in an excess inventory reserve due to the prolonged demand in sales volume of brominated products for electronics applications.

Net sales decreased by \$67 million to \$608 million for the nine months ended September 30, 2013 reflecting a \$36 million decrease in sales volumes, \$30 million in lower selling prices and \$1 million from unfavorable foreign currency translation.

Operating income of \$34 million in the nine months ended September 30, 2013 decreased \$78 million compared with last year. The decrease reflected the lower selling prices, \$13 million in unfavorable manufacturing costs and variances, \$17 million from lower sales volume and unfavorable product mix, \$6 million increase in the excess inventory reserve, \$3 million in higher raw material costs, \$3 million from unfavorable foreign currency translation and a \$6 million increase in other costs.

**Chemtura AgroSolutions**

Our Chemtura AgroSolutions segment reported higher net sales and operating income for the nine months ended September 30, 2013 compared with the same period in 2012. Net sales increased over the prior year period as a result of improved sales volume in both North and Latin America for pest control and seed treatment products. Operating income reflected the benefit of the increased sales volume and selling prices coupled with continued focus on the reduction of SGA&R.

Net sales increased by \$31 million to \$342 million for the nine months ended September 30, 2013 from \$311 million in the same period of 2012. The increase reflected \$26 million in higher sales volume and \$13 million in higher selling prices partly offset by \$8 million of unfavorable foreign currency translation.

Operating income increased \$15 million to \$69 million in the nine months ended September 30, 2013 compared with \$54 million in the nine months ended September 30, 2012, reflecting the higher selling prices, \$6 million from favorable sales volume and product mix changes, \$3 million in lower raw material costs and \$3 million in lower SGA&R costs, offset in part by \$3 million from unfavorable foreign currency translation and a \$7 million increase in other costs.

## Corporate

Corporate expense was \$85 million for both the nine months ended September 30, 2013 and 2012, which included amortization expense related to intangible assets and depreciation expense of \$14 million and \$15 million, respectively. We recorded a \$21 million increase in an environmental reserve in 2013 for the costs to remediate a legacy non-operating site in France. Following a detailed engineering study, we received estimates of the costs of what will be a multi-year program to remediate the site to the standards required by the regulatory authorities. Additionally, we reported a gain of \$2 million related to an adjustment for a legacy pension plan and \$2 million for the sale of a non-operating site. These items were offset by lower costs associated with employee incentive plan accruals, lower pension expense due to the transfer of pension obligations to Addivant and the benefit of our costs savings initiatives.

Certain functional and other expenses that are managed company-wide are allocated to our segments. The portion of such costs allocated to the Antioxidant and Consumer Products businesses have not or will not transfer directly under the respective sale agreements. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under earnings (loss) from discontinued operations, net of tax. Costs related to the Antioxidant business were \$6 million and \$11 million for the nine months ended September 30, 2013 and 2012, respectively. Costs related to the Consumer Products segment were \$10 million and \$9 million for the nine months ended September 30, 2013 and 2012, respectively. Additionally, our Corporate segment included \$8 million and \$11 million for the nine months ended September 30, 2013 and 2012 respectively, of amortization expense related directly to our Antioxidant business and Consumer Products segment which has been included in loss on discontinued operations, net of tax in our Consolidated Statement of Operations.

Table of Contents

**LIQUIDITY AND CAPITAL RESOURCES**

**Emergence from Chapter 11**

On March 18, 2009 (the *Petition Date* ) Chemtura and 26 of our U.S. affiliates (collectively the *U.S. Debtors* or the *Debtors* when used in relation to matters before August 8, 2010) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code ( *Chapter 11* ) 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. The U.S. Debtors along with Chemtura Canada after it filed for Chapter 11 (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 *foreign proceedings* under the CCAA.

On November 3, 2010, the Bankruptcy Court entered an order confirming the Debtors' plan of reorganization (the *Plan* ). On November 10, 2010 (the *Effective Date* ), the Debtors substantially consummated their reorganization through a series of transactions contemplated by the Plan and the Plan became effective. As of September 30, 2013, the Bankruptcy Court has entered orders granting final decrees closing all of the Debtors' Chapter 11 cases except the Chapter 11 case of Chemtura Corporation.

For further discussion of the Chapter 11 cases, see Note 16 - Emergence from Chapter 11 in our Notes to Consolidated Financial Statements.

**Tender Offer & New Bond Offering**

On June 10, 2013, we launched a cash tender offer and consent solicitation with respect to any and all of our outstanding \$455 million aggregate principal amount of 7.875% Senior Notes due 2018 (the *2018 Senior Notes* ) pursuant to our Offer to Purchase and Consent Solicitation Statement (the *Offer to Purchase* ). The requisite consent solicitation was required to adopt proposed amendments to the indenture governing the 2018 Senior Notes (the *2018 Indenture* ) that would eliminate substantially all of the restrictive covenants, certain events of default and related provisions contained in the 2018 Indenture. Subject to the terms and conditions set forth in the Offer to Purchase, holders who validly tendered their notes on or prior to June 21, 2013 (the *Consent Date* ) received total consideration of \$1,117.50 per \$1,000 principal amount of the 2018 Senior Notes accepted for purchase, which included a consent payment of \$30 per \$1,000 principal amount of the notes. As of July 5, 2013, holders of \$348 million or approximately 76.56% of the 2018 Senior Notes, had tendered their 2018 Senior Notes and consented to the proposed amendments to the 2018 Indenture.

On July 8, 2013, we amended the terms of the Offer to Purchase to extend the expiration date to July 19, 2013 to meet the terms of the Financing Condition (as defined in the Offer to Purchase). Holders who validly tendered their 2018 Senior Notes after the Consent Date but on or prior to July 19, 2013, received the tender offer consideration of \$1,087.50 per \$1,000 principal amount of the 2018 Senior Notes accepted for purchase but were not entitled to the consent payment. As of July 19, 2013, additional holders of \$6 million or approximately 1.33% of the 2018 Senior

## Edgar Filing: Chemtura CORP - Form 10-Q

Notes, had tendered their 2018 Senior Notes and consented to the proposed amendments to the 2018 Indenture.

On July 18, 2013, we undertook a registered public offering of \$450 million of 5.75% Senior Notes due 2021 ( 2021 Senior Notes ), for the purposes of funding the purchase under the terms of the Offer to Purchase all of the 2018 Senior Notes tendered, expenses related to the offering and a prepayment of our senior secured term loan facility due 2016 (the Term Loan ). On July 23, 2013, the 2021 Senior Notes offering closed and the majority of the proceeds were used to complete the purchase of the 2018 Senior Notes tendered in response to the Offer to Purchase. With the purchase of the 2018 Senior Notes complete, the amendments to the 2018 Indenture that eliminated substantially all of the restrictive covenants, certain events of default and related provisions became effective.

In our third quarter of 2013, we recorded a loss on the early extinguishment of debt of \$50 million. The loss included \$42 million for the difference between the principal amount of the 2018 Senior Notes tendered and the sum of the tender offer consideration and consent payments. The loss also included \$8 million for the write-off of unamortized capitalized financing costs and original issuance discount with respect to the 2018 Senior Notes purchased under the tender.

On July 23, 2013, we used the balance of the proceeds from the offering of the 2021 Senior Notes, after completing the purchase of the 2018 Senior Notes tendered and paying transaction costs of approximately \$45 million, and approximately \$5

Table of Contents

million of cash on hand to prepay \$50 million of principal of our Term Loan. On July 31, 2013, we prepaid an additional \$50 million of Term Loan principal with cash on hand.

Our 2021 Senior Notes contain covenants that limit our ability to enter into certain transactions, such as incurring secured debt and subsidiary debt and entering into sale and lease-back transactions. As of September 30, 2013, we were in compliance with the covenant requirements of the 2021 Senior Notes.

**Financing Facilities**

On August 27, 2010, we completed a private placement offering under Securities and Exchange Commission ( SEC ) Rule 144A for the 2018 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. In July 2013, we redeemed \$354 million of the \$455 million outstanding balance with proceeds from the 2021 Senior Notes offering.

On August 27, 2010, we also entered into 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 October 31, 2012, we exercised the accordion feature of our Term Loan and borrowed the additional \$125 million for the purpose of funding potential investment opportunities and for general corporate purposes. During 2013, we repaid \$102 million of the Term Loan with proceeds from the 2021 Senior Notes offering and cash on hand.

In October 2013, we entered into an amendment of our Term Loan. The amendment to the Term Loan (the Amendment ), among other things, (i) reduces the interest rate and LIBOR floor on the term loans outstanding under the Term Loan agreement (the term loans ), (ii) provides for a 1% prepayment premium if the term loans are refinanced with certain specified refinancing debt within 6 months, (iii) introduces scheduled quarterly amortization of the term loans in the amount of 1% annually, and (iv) permit additional flexibility under certain of our operating covenants (including but not limited to additional flexibility for debt, investments, restricted payments and dispositions) in the Term Loan agreement. The Amendment became effective on October 30, 2013. The amendment will further reduce annual interest expense by approximately \$6 million.

On November 10, 2010, we entered into a five-year senior secured revolving credit facility available through 2015 (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). 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.

At September 30, 2013, we had no borrowings under the ABL Facility and \$14 million of outstanding letters of credit (primarily related to insurance obligations, environmental obligations and banking credit facilities) which utilizes available capacity under the facility. At September 30, 2013, we had approximately \$191 million of undrawn availability under the ABL Facility.

## Edgar Filing: Chemtura CORP - Form 10-Q

These facilities contain 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 acquisitions, dispositions and joint ventures. The Term Loan requires that we meet certain quarterly 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. The ABL Facility contains a springing financial covenant requiring a minimum trailing 12-month fixed charge coverage ratio 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 until such 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, 2013, we were in compliance with the covenant requirements of these financing facilities.

On March 29, 2013, we entered into a promissory note in the principal sum of \$7 million with a term of six years bearing interest at a rate of 5.29% per annum to finance the cost of certain information technology software licenses. The principal of note is to be repaid in equal monthly installments over its term.

In December 2012, we entered into a CNY 250 million (approximately \$40 million) 5 year secured credit facility available through December 2017 (the China Bank Facility) with Agricultural Bank of China, Nantong Branch (ABC Bank). The China Bank Facility will be used for funding construction of our manufacturing facility in Nantong, China. The China Bank Facility is secured by land, property and machinery of our subsidiary Chemtura Advanced Materials (Nantong) Co., Ltd. At

Table of Contents

September 30, 2013, we had borrowings of \$17 million under the China Bank Facility. Repayments of principal will be made in semi-annual installments from December 2014 through December 2017.

For further discussion of the financing facilities, see Note 7 Debt in our Notes to Consolidated Financial Statements.

**Share Repurchase Program**

On May 9, 2013, the Board authorized an increase in our share repurchase program by \$41 million to \$141 million of which \$50 million remains as of September 30, 2013 and extended the program through March 31, 2014. 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). We repurchased 2.2 million shares for a cost of \$50 million during the nine months ended September 30, 2013. As of September 30, 2013, we had total re-purchases of 5.6 million shares for a cost of \$91 million under this program, which was originally approved in October 2011.

**Consumer Products Divestiture**

In September 2013, our Board approved a plan to sell our Consumer Products segment subject to the completion of definitive transaction documents and in October 2013 we entered into a stock purchase agreement to sell our Consumer Products business, including dedicated manufacturing plants in the U.S. and South Africa, to KIK Custom Products Inc. (KIK) for \$315 million in cash at closing subject to certain customary pre- and post-closing adjustments, primarily for working capital and assumed pension liabilities. Working capital consists of current assets and current liabilities, excluding cash, net current income and deferred taxes, and certain other current assets and liabilities. The transaction is subject to customary closing conditions and regulatory approvals and is targeted to close on December 31, 2013.

As a result of the Board approval, the assets and liabilities of the Consumer Products segment have been presented as assets and liabilities held for sale. Additionally, we determined that discontinued operations treatment applied and earnings and direct costs associated with Consumer Products segment have been presented as earnings (loss) from discontinued operations, net of tax in our Consolidated Statements of Operations for the current and comparative periods. All applicable disclosures included in the accompanying footnotes have been updated to reflect the Consumer Products segment as a discontinued operation.

During the first two quarters of 2013, we completed an assessment of the possible sale of the Consumer Products segment. As of March 31, 2013 and June 30, 2013, we considered it more-likely-than-not that the initiative would become effective during 2013. In performing the impairment analysis, we probability weighted the possible outcomes of the initiative as of March 31, 2013 and June 30, 2013. Based on this analysis, the expected undiscounted cash flows were sufficient to recover the carrying values of assets of the Consumer Products segment. As a result, we concluded that no impairment existed at March 31, 2013 or June 30, 2013.

## Edgar Filing: Chemtura CORP - Form 10-Q

In September, when we met the criteria to record assets held for sale, we again performed an impairment analysis. We probability weighted the fair value less cost to sell under different fair value models, as a proxy for an agreed upon purchase price, and found the fair value less cost to sell was sufficient to recover the carrying value of the net assets to be sold as of September 30, 2013. As a result, we concluded that no impairment existed at September 30, 2013. However, changes in the underlying details or fair value of the Consumer Products segment could materially impact the results of our analysis in future quarters.

For further discussion of the Consumer Products divestiture, see Note 2 - Acquisitions and Divestitures in our Notes to Consolidated Financial Statements.

### **Antioxidant Divestiture**

On April 30, 2013, we completed the sale of our Antioxidant business to SK Blue Holdings, Ltd, ( SK ) and Addivant USA Holdings Corp. ( Addivant ) for consideration of \$97 million, \$9 million in preferred stock issued by Addivant and a \$1 million seller note issued by an affiliate of Addivant and the assumption by SK and Addivant of pension, environmental and other liabilities totaling approximately \$91 million.

At closing, the cash consideration was subject to the retention of certain assets, the finalization of pension assets and liabilities and the change in certain working capital components through the closing date. The asset purchase agreement provides a customary mechanism for finalizing any adjustments to the working capital base. We anticipate finalizing the working capital adjustment in the fourth quarter of 2013. During the third quarter of 2013, the net pension liability transferred to Addivant was

Table of Contents

finalized and the seller note was extinguished by these adjustments. Additionally, we paid \$2 million in cash considerations as part of the adjustment.

Included as part of the consideration, we received 9.2 million shares of Series A Preferred Stock of Addivant with a face value of \$9 million. These shares accrue dividends at escalating rates beginning at 7% in the first year and up to 11% in the third year and beyond which are payable upon declaration.

We recognized a pre-tax loss of \$162 million (\$149 million after-tax), which included cash proceeds of \$97 million less \$10 million of retained working capital, \$2 million post-closing adjustment, \$9 million for preferred stock, \$111 million net assets sold, \$11 million of other costs and expenses, \$13 million loss related to continuing supply agreements, \$122 million of non-cash charges related to the pension obligations transferred, \$6 million release of cumulative translation adjustment and \$7 million release of non-controlling interest in our Asia Stabilizers Co. Ltd. joint venture. In connection with the sale, we entered into several ancillary agreements, including supply agreements, a distribution agreement, and a transition service agreement.

As a result of entering into this transaction beginning in 2012, we determined that discontinued operations treatment applied. Assets and liabilities included in the Antioxidant Sale have been presented as assets and liabilities of discontinued operations as of December 31, 2012. Additionally, earnings and direct costs associated with the Antioxidant business for the periods prior to the date of sale have been presented as earnings (loss) from discontinued operations, net of tax for the current and comparative periods. All applicable disclosures included in the accompanying footnotes have been updated to reflect the Antioxidant business as a discontinued operation.

For further discussion of the Antioxidant sale, see Note 2 Acquisitions and Divestitures in our Notes to Consolidated Financial Statements.

**Solaris Acquisition**

On September 26, 2012, we announced that we entered into a Business Transfer Agreement ( BTA ) with Solaris ChemTech Industries Limited ( Solaris ChemTech ), an Indian Company, and Avantha Holdings Limited, an Indian Company and the parent company of Solaris ChemTech (collectively, Solaris ). As provided in the BTA, we have agreed to purchase from Solaris certain assets used in the manufacture and distribution of bromine and bromine chemicals for cash consideration of \$142 million and the assumption of certain liabilities. The purchase price is subject to a post-closing net working capital adjustment. The transaction is subject to, among other things, receiving governmental approval for the transfer of rights to the brine resources from which bromine is extracted and is expected to close upon receipt of those approvals, the date of which is not yet known. The parties are presently discussing alternative transaction structures.

**Chemtura AgroSolutions**

In October 2013, our Board decided to explore the sale of our agrochemicals business, Chemtura AgroSolutions. There is no definitive timetable for the sale process and there can be no assurance that the process will result in a sale of the Chemtura AgroSolutions business.

## Restructuring Initiatives

On February 22, 2013, our Board of Directors (the Board ) approved a restructuring plan providing for, among other things, actions to reduce stranded costs related to ongoing strategic initiatives. This plan is expected to preserve pre-divestiture operating margins following our portfolio changes. On October 9, 2013, the Board approved additional restructuring actions to consolidate our business organizational structure in an effort to streamline the organization and gain efficiencies and additional cost savings. In October 2013, we commenced employee communications and the consultation regarding the potential closure of our Droitwich, UK facility and consolidation of those operations into our Perth Amboy, NJ facility, in order to improve our competitiveness in the current economic environment. The total cost of these restructuring plans are estimated to be between \$45 million and \$55 million, primarily for severance and related costs, accelerated depreciation of property, plant and equipment, and asset retirement obligations. Non-cash charges are estimated to be between \$5 million and \$7 million with a net cash cost of between \$40 million and \$48 million. We recorded a pre-tax charge of \$14 million in the first quarter of 2013 which included \$11 million for severance and related costs and \$3 million related to professional fees. We recorded a pre-tax charge of \$11 million in the second quarter of 2013 which included \$5 million for severance and related costs and \$6 million related to professional fees. We recorded a pre-tax charge of \$3 million in the third quarter of 2013 related to professional fees. The remainder relates primarily to severance, accelerated depreciation and decommissioning costs and expect all but approximately \$4 million to \$8 million to be incurred throughout 2013.

Table of Contents

On April 30, 2012, our Board approved a restructuring plan providing for, among other things, the closure of our Antioxidant business manufacturing facility in Pedrengo, Italy. The Board also approved actions to improve the operating effectiveness of certain global corporate functions. This plan is intended to achieve significant gains in efficiency and costs. The total cost of the restructuring plan was estimated to be approximately \$40 million of which approximately \$6 million will consist of non-cash charges. During 2012, we recorded pre-tax charges of \$33 million which included \$4 million for accelerated depreciation of property, plant and equipment included in depreciation and amortization, \$2 million for accelerated asset retirement obligations included in cost of goods sold, \$12 million for severance and professional fees related to corporate initiatives, \$5 million for severance and other obligations related to the Pedrengo closure and \$10 million reflecting the write-off of a receivable for which collection is no longer probable as a result of these restructuring actions. We recorded an additional pre-tax charge of \$1 million in the quarter ended June 30, 2013, primarily for accelerated depreciation and relocation costs related to the Pedrengo closure. All charges related to the Pedrengo closure have been included in loss from discontinued operations, net of tax, due to the pending sale of our Antioxidants business. The Pedrengo plant ceased operations March 31, 2013 and asset retirement work has begun. We will retain this property after the sale of the Antioxidants business is complete and anticipate selling it after all retirement and remediation work is completed.

**Cash Flows from Operating Activities**

Net cash provided by operating activities was \$59 million for the nine months ended September 30, 2013 compared to net cash provided by operating activities of \$111 million in the same period last year. Changes in key working capital accounts are summarized below:

<b>Favorable (unfavorable) (In millions)</b>	<b>Nine months ended September 30, 2013</b>		<b>Nine months ended September 30, 2012</b>	
Accounts receivable	\$	(29)	\$	(33)
Inventories		(29)		(23)
Accounts payable		24		36
Pension and post-retirement health care liabilities		(43)		(71)

During the nine months ended September 30, 2013, accounts receivable increased by \$29 million over December 31, 2012 primarily driven by our Chemtura AgroSolutions and Industrial Performance segments. Chemtura AgroSolutions increased as result of typical seasonal increase in demand during the growing seasons in North America and Europe. Additionally, our Industrial Performance segment showed some increase in accounts receivable driven primarily by the favorable volume growth this segment experienced in the past several months. Inventory increased by \$29 million over December 31, 2012 primarily driven by our Industrial Performance segment which reported an increase in inventory to support increased demand while our Industrial Engineered segment increased due to the acquisition of the remaining 50% of our Daystar joint venture. Accounts payable increased by \$24 million in the nine months ended September 30, 2013 primarily relating to our Industrial Performance segment as a result of the inventory increase resulting from higher demand. Pension and post-retirement health care liabilities decreased \$43 million primarily due to the funding of benefit obligations. Pension and post-retirement contributions amounted to \$37 million for the nine months ended September 30, 2013 which included \$19 million for domestic plans and \$18 million for international plans.

Cash flows from operating activities for the nine months ended September 30, 2013, were adjusted by the impact of certain non-cash and other charges. Non-cash charges included the loss on the sale of the Antioxidant business, release of cumulative currency translation adjustments related to the liquidation of certain wholly owned entities, depreciation and amortization expense and stock-based compensation expense. Working capital was also adjusted to reflect the inclusion of the assets and liabilities related to the purchase of the remaining 50% of Daystar Materials, LLC ( Daystar ) (see Note 2 - Acquisitions and Divestitures in our Notes to Consolidated Financial Statements).

## Edgar Filing: Chemtura CORP - Form 10-Q

During the nine months ended September 30, 2012, accounts receivable increased by \$33 million over December 31, 2011 primarily driven by increased net sales for our Chemtura AgroSolutions and Industrial Engineered products. Inventory increased by \$23 million over December 31, 2011 primarily as a result of inventory build in our Industrial Engineered segment due to new products in our Emerald Innovation™ line and lower demand for our tin-based organometallics and traditional polyolefin catalysts as well as seasonal inventory build for our Chemtura AgroSolutions segment. Accounts payable increased by \$36 million in the nine months ended September 30, 2012 primarily a result of higher raw material purchases supporting our Chemtura AgroSolutions inventory and our new Emerald Innovation™ products, as well as the timing of vendor payments. Pension and post-retirement health care liabilities decreased \$71 million primarily due to the funding of benefit obligations. Pension and post-retirement contributions amounted to \$82 million for the nine months ended September 30, 2012 which included \$51 million for domestic plans and \$31 million for international plans.

Table of Contents

Cash flows from operating activities in 2012 were adjusted by the impact of certain non-cash and other charges, which primarily included depreciation and amortization expense of \$104 million, impairment charges of \$36 million and stock-based compensation expense of \$14 million.

**Cash Flows from Investing and Financing Activities**

*Investing Activities*

Net cash used in investing activities was \$36 million for the nine months ended September 30, 2013. Investing included capital expenditures of \$124 million for U.S. and international facilities, environmental and other compliance requirements along with \$3 million for the acquisition of the remaining interest in our Daystar joint venture. Investing activities also included proceeds from our Antioxidant business divestment net of transaction costs and cash transferred of \$81 million and \$10 million from the collection on a receivable from the sale of our 50% interest in Tetrabrom Technologies Ltd in 2011.

Net cash used in investing activities was \$85 million for the nine months ended September 30, 2012. Investing activities were related to \$94 million in capital expenditures for U.S. and international facilities, environmental and other compliance requirements, partially offset by \$9 million in proceeds received from the sale of our 50% interest in Tetrabrom Technologies Ltd.

*Financing Activities*

Net cash used by financing activities was \$76 million for the nine months ended September 30, 2013. Financing activities primarily included the repurchase of \$354 million of the 2018 Senior Notes, payment of the related tender premium and consent fees and repayment of \$102 million in principal of the Term Loan using the proceeds from the issuance of the \$450 million of 2021 Senior Notes and cash on hand. Cash on hand was also used to repurchase \$50 million of our common stock under our share repurchase program and meet \$8 million of debt issuance costs related to the 2021 Senior Notes financing. Other financing sources in the period were borrowings for capital improvements related to our new facility in Nantong, China of \$16 million, a promissory note for information technology software licenses of \$7 million and proceeds from the exercise of stock options of \$6 million.

Net cash used by financing activities was \$20 million for the nine months ended September 30, 2012, which primarily included shares acquired under our share repurchase program of \$20 million.

**Settlements of Disputed Claims**

As of September 30, 2013, there were no remaining undisbursed amounts in the Disputed Claims Reserve.

In the nine months ended September 30, 2012, we distributed approximately \$5 million of restricted cash associated with our Chapter 11 cases. These settlements were comprised of a \$3 million supplemental distribution to holders of previously issued Chemtura stock ( Holders of Interests ) and \$2 million for general unsecured claims. Additionally, we issued approximately \$26 million of common stock which included a \$23 million supplemental distribution to Holders of Interests and \$3 million for general unsecured claims.

### **Future Liquidity**

In 2013, we expect to finance our continuing operations and capital spending requirements with cash flows provided by operating activities, available cash and cash equivalents, the ABL Facility and China Bank Facility and other sources. We anticipate that a substantial portion of the proceeds from the sale of Consumer Products and potential sale of the Chemtura AgroSolutions business would be used to return capital to shareholders and continue to make important investments to strengthen and enable the continuing growth of the remaining businesses, as well as pay down debt to maintain pro-forma leverage. Our long-term stated total leverage target remains approximately 2X Adjusted EBITDA. For the definition of Adjusted EBITDA see our 2012 Annual Report on Form 10-K; Item7: Management's Discussion and Analysis of Financial Condition and Results of Operations. Cash and cash equivalents as of September 30, 2013 were \$311 million.

### **Contractual Obligations and Other Cash Requirements**

During the nine months ended September 30, 2013, we made aggregate contributions of \$29 million to our U.S. and international pension plans and \$8 million to our post-retirement benefit plans. We expect to make approximately \$13 million of contributions to these plans during the remainder of 2013.

## Table of Contents

On May 9, 2011, one of our UK subsidiaries entered into definitive agreements with the trustees of the Great Lakes U.K. Limited Pension Plan ( the UK Pension Plan ) over the terms of a recovery plan which provided for a series of additional cash contributions to be made to reduce the underfunding over time. The agreements provided, among other things, for our UK subsidiary to make cash contributions of £60 million (approximately \$96 million) in just over a three year period, with the initial contribution of £30 million (\$49 million) made in the second quarter of 2011, the second contribution of £15 million (\$24 million) made in the second quarter of 2012, and the third contribution of £8 million (\$11 million) made in the second quarter of 2013. The final contribution of £8 million (\$12 million) will be made in the second quarter of 2014. The agreements also provided for the granting of both a security interest and a guarantee to support certain of the liabilities under the UK Pension Plan.

There was also an evaluation being undertaken as to whether additional benefit obligations exist in connection with the equalization of certain benefits under the UK Pension Plan that occurred in the early 1990s. Based on the results of the evaluation in 2011, \$8 million of expense was recorded in the fourth quarter of 2011, which was subject to adjustment as further information is gathered as part of the evaluation. Additional information has been gathered and evaluated during the second quarter of 2013 and resulted in a reduction of the estimated liability from that originally estimated. Accordingly we recorded \$2 million of income to SG&A in the second quarter of 2013. When we reach agreement with the trustees of the UK Pension Plan as to what additional benefit obligations exist, our UK subsidiary is required to make additional cash contributions to the UK Pension Plan.

We had net liabilities related to unrecognized tax benefits of \$44 million at September 30, 2013. We believe it is reasonably possible that our unrecognized tax benefits may decrease by approximately \$4 million within the next 12 months.

## **Guarantees**

In addition to \$14 million in outstanding letters of credit at September 30, 2013, we have guarantees that have been provided to various financial institutions. At September 30, 2013, we had \$12 million of outstanding guarantees primarily related to vendor deposits. The letters of credit and guarantees were primarily related to liabilities for insurance obligations, environmental obligations, banking credit facilities, vendor deposits and European value added tax ( VAT ) obligations.

## **Strategic Initiatives**

We continually review each of our businesses, individually and as part of our portfolio, to determine whether to continue in, consolidate, reorganize, exit or expand our businesses, operations or product lines. We have established strategic and financial criteria against which we assess whether to invest in the expansion of a business, operation or product line, as well as to determine which portfolio businesses may, at an appropriate time, be monetized. As part of these assessments, we also review our manufacturing and facility footprints to determine if we should consolidate or close facilities to optimize customer supply and reduce our unit product costs. Our review process also involves expanding businesses, investing in innovation and regional growth, expanding existing product lines and bringing new products to market or changing the way we do business.

In 2013, we divested our Antioxidants business and entered into an agreement to sell our Consumer Products segment. These were the two businesses in our portfolio that, in our judgment, were unlikely to meet the financial and strategic performance criteria we had set for our

## Edgar Filing: Chemtura CORP - Form 10-Q

company. Their sale will aid us in improving percentage margins, sales growth rates and increase focus on our chosen markets and regions. On October 10, 2013, we announced that our Board approved our exploration of a sale of our agrochemicals business, Chemtura AgroSolutions. The decision to explore a sale of Chemtura AgroSolutions, is aimed at delivering substantial near-term value to shareholders and further focusing on opportunities to create additional value as a pure-play leader in the global development, marketing, manufacture and sale of industrial specialty chemicals. There is no definitive timetable for the sale process and there can be no assurance that the process will result in a sale of the Chemtura AgroSolutions business.

We are conducting an ongoing review of our manufacturing and facility footprint to determine if we should consolidate or close facilities to optimize customer supply and reduce our unit product costs. In October 2013, we announced our exploration of the closure of our Droitwich, UK facility and the transfer of its production to our Perth Amboy, NJ facility. It is anticipated that additional plant closures may be announced in the future as part of this footprint review process.

### **CRITICAL ACCOUNTING ESTIMATES**

Our Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles ( GAAP ), which require management to make estimates and assumptions that affect the amounts and disclosures reported in our Consolidated Financial Statements and accompanying notes. Our estimates are based on historical experience and currently available information. Management's Discussion and Analysis of Financial Condition and Results of Operations and

Table of Contents

the Accounting Policies footnote in our 2012 Annual Report on Form 10-K describe the critical accounting estimates and accounting policies used in the preparation of our Consolidated Financial Statements. Actual results could differ from management's estimates and assumptions. There have been no significant changes in our critical accounting estimates during the nine months ended September 30, 2013.

**2013 OUTLOOK**

We remain committed to our objective of creating a focused portfolio of global specialty chemical businesses that provide sustainable competitive advantage and continued growth opportunities through superior innovation, reliability and applied science, making Chemtura indispensable to its stakeholders. Through our portfolio management actions in 2013, Chemtura will be a smaller company, but these actions will permit us to progressively improve our operating margins and have a portfolio of strongly differentiated product lines based on proprietary chemical technologies that offer superior organic revenue growth and be positioned to exploit secular industry growth trends in all regions of the globe.

In 2013, Chemtura AgroSolutions has continued its pace of new product and registration introductions, and has delivered year-on-year growth in net sales and earnings in each quarter this year. While the fourth quarter of 2012 was a strong quarter, the segment has the potential to deliver modest improvement in the fourth quarter of 2013.

Our Industrial Performance segment delivered year-on-year sales growth in each quarter this year despite the impact of lower demand for urethanes products from mining and electronic applications. For the first and second quarters, this also resulted in year-on-year growth in profitability. With the costs associated with the commissioning and start-up of the HVPAO plant in the Netherlands and the synthetic grease plant in China, the segment just missed matching profitability in the third quarter of 2013. Although production at the two new facilities will not reach breakeven levels until well into 2014, we still anticipate that the segment will deliver modest year-on-year profitability improvement in the fourth quarter of 2013.

Our Industrial Engineered segment continues to face tougher demand conditions. After the decline in demand for flame retardants used in insulation foam applications in the first quarter of 2013 and the related softening in price, demand and pricing stabilized at these lower levels in the second quarter of 2013. Demand for flame retardants used in electronics applications has declined from its peak in 2011 and continued to decline through much of 2012. In 2013, year-to-date demand has been relatively stable with modest improvement in certain applications. With reduced electronics demand, selling prices have shown regional weakness. The impact of lower volume and selling prices in electronics and insulation foam applications has in part been offset by continuing growth in demand for clear brine fluids used in off-shore oil and gas production applications and for the intermediates we produce for pharmaceutical and agrochemical applications and the continued development of mercury control applications.

We anticipate the profitability of the Industrial Engineered Products segment will improve sequentially in the fourth quarter of 2013 but is unlikely to match the profitability generated in the fourth quarter of 2012. While we do not see evidence that demand from insulation foam or electronic applications for flame retardants will materially improve in the fourth quarter, actions taken to reduce costs and manage manufacturing capacity utilization will improve profitability. We announced increases in certain selling prices for brominated flame retardants in the latter part of the third quarter which have held in some electronic applications but pricing for insulation foam applications remains depressed. The net effect of these actions should be a positive turn in the performance trend for this segment.

## Edgar Filing: Chemtura CORP - Form 10-Q

Corporate expenses in the fourth quarter of 2013 (after excluding any project expenses we incur in connection with our exploration of the sale of Chemtura AgroSolutions) are expected to be lower than in the fourth quarter of 2012. When combined with the anticipated performance of our operating segments, we have the potential on a consolidated basis to reach operating profitability levels that meet or modestly exceed the fourth quarter of 2012.

There are a number of risks to achieving our business plans as described in Item 1A - Risk Factors and summarized below in Forward Looking Statements.

### **FORWARD-LOOKING STATEMENTS**

In addition to historical information, this Report contains forward-looking statements within the meaning of Section 27(a) of the Securities Act of 1933, as amended and Section 21(e) of the Exchange Act of 1934, as amended. We use words such as anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will and similar expressions to identify forward-looking statements. include, among others, those concerning our expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and that a number of risks and uncertainties could cause actual results to differ materially from those anticipated in the forward-looking statements.

Table of Contents

Such risks and uncertainties include, but are not limited to:

- The cyclical nature of the global chemicals industry;
- Increases in the price of raw materials or energy and our ability to recover cost increases through increased selling prices for our products;
- Disruptions in the availability of raw materials or energy;
- Our ability to implement our growth strategies in rapidly growing markets and faster growing regions;
- Our ability to execute timely upon our portfolio management strategies and mid and long range business plans;
- Our ability to obtain the requisite regulatory and other approvals to implement the plan to build a new multi-purpose manufacturing facility in Nantong, China;
- The receipt of governmental and other approvals associated with the sale of the Consumer Products business and the successful fulfillment or waiver of all other closing conditions for such a transaction without unexpected delays or conditions;
- The successful closing of the sale of the Consumer Products business and separation of that business from the rest of our businesses;
- Our ability to identify one or more potential purchasers of the Chemtura AgroSolutions business who are willing to pay a price for the business that we are willing to accept, and to reach a definitive agreement on a mutually acceptable transaction with such purchaser;
- The receipt of governmental and other approvals associated with the sale of the Chemtura AgroSolutions business and the successful fulfillment or waiver of all other closing conditions for such a transaction without unexpected delays or conditions;
- The successful closing of the sale of the Chemtura AgroSolutions business and separation of that business from the rest of our businesses;
- Declines in general economic conditions;
- The ability to comply with product registration requirements of regulatory authorities, including the U.S. Food and Drug Administration (the FDA) and European Union REACH legislation;
- The effect of adverse weather conditions;
- Demand for Chemtura AgroSolutions segment products being affected by governmental policies;
- Current and future litigation, governmental investigations, prosecutions and administrative claims;
- Environmental, health and safety regulation matters;
- Federal regulations aimed at increasing security at certain chemical production plants;
- Significant international operations and interests;

## Edgar Filing: Chemtura CORP - Form 10-Q

- Our ability to maintain adequate internal controls over financial reporting;
- Exchange rate and other currency risks;
- Our dependence upon a trained, dedicated sales force;
- Operating risks at our production facilities;
- Our ability to protect our patents or other intellectual property rights;
- Whether our patents may provide full protection against competing manufacturers;
- Our ability to remain technologically innovative and to offer improved products and services in a cost-effective manner;
- The risks to our joint venture investments resulting from lack of sole decision making authority;
- Our unfunded and underfunded defined benefit pension plans and post-retirement welfare benefit plans;
- Risks associated with strategic acquisitions and divestitures;
- Risks associated with possible climate change legislation, regulation and international accords;
- The ability to support the carrying value of the goodwill and long-lived assets related to our businesses;
- Whether we repurchase any additional shares of our common stock that our Board of Directors have authorized us to purchase and the terms on which any such repurchases are made; and
- Other risks and uncertainties described in our filings with the Securities and Exchange Commission including Item 1A, Risk Factors, in our Annual Report on Form 10-K.

These statements are based on our estimates and assumptions and on currently available information. The forward-looking statements include information concerning our possible or assumed future results of operations, and our actual results may differ significantly from the results discussed. Forward-looking information is intended to reflect opinions as of the date this Form 10-Q was filed. We undertake no duty to update any forward-looking statements to conform the statements to actual results or changes in our operations.

Table of Contents

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

This Item should be read in conjunction with Item 7A - Quantitative and Qualitative Disclosures About Market Risk and Note 15 - Derivative Instruments and Hedging Activities to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K. Also see Note 13 - Derivative Instruments and Hedging Activities in our Notes to Consolidated Financial Statements (unaudited) included in this Form 10-Q.

The fair market value of long-term debt is subject to interest rate risk. Our total debt amounted to \$894 million at September 30, 2013. The fair market value of such debt as of September 30, 2013 was \$907 million, which has been determined primarily based on quoted market prices.

Our financial instruments, subject to foreign currency exchange risk, consist of two foreign currency forward contracts with notional amounts of 25 million, due in October 2013 and \$12 million due in April of 2014. Additionally, we have one put option with a notional amount of 25 million that is due in October 2013. These contracts limit our risk to changes in the Euro and represent a net liability position of \$1 million at September 30, 2013. We conducted sensitivity analysis on the fair value of our foreign currency hedge portfolio assuming an instantaneous 10% change in the Euro from its value as of September 30, 2013, with all other variables held constant. A 10% increase in the Euro against the U.S. Dollar would result in an increase of \$6 million in the fair value of these contracts. The sensitivity in fair value of these contracts represents changes in fair values estimated based on market conditions as of September 30, 2013, without reflecting the underlying monetary exposures the portfolio is hedging. The effect of exchange movements on those anticipated transactions would be expected to mitigate the impacts implied by our sensitivity analysis.

There have been no other significant changes in market risk during the quarter ended September 30, 2013.

Table of Contents

**ITEM 4. Controls and Procedures**

*(a) Disclosure Controls and Procedures*

As of September 30, 2013, our management, including our Chief Executive Officer ( CEO ) and Chief Financial Officer ( CFO ), have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Exchange Act. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective as of the end of the period covered by this Report.

*(b) Changes in Internal Control Over Financial Reporting*

There have been no changes in our internal control over financial reporting during the third quarter ended September 30, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

**PART II. OTHER INFORMATION**

**ITEM 1. Legal Proceedings**

See Note 17 Legal Proceedings and Contingencies in our Notes to Consolidated Financial Statements for a description of our legal proceedings.

**ITEM 1A. Risk Factors**

Our risk factors are described in our 2012 Annual Report on Form 10-K as updated in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013. Investors are encouraged to review those risk factors in detail before making any investment in our securities. There have been no significant changes in our risk factors during the quarter ended September 30, 2013.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

**Issuer Purchases of Equity Securities During the Third Quarter of 2013**

On May 9, 2013, the Board authorized an increase in our share repurchase program by \$41 million to \$141 million of which \$50 million remains as of September 30, 2013 and extended the program through March 31, 2014. 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). As of September 30, 2013, we had repurchased 5.6 million shares at a cost of \$91 million under this program, which was originally approved in October 2011.

The following table provides information about our repurchases of equity securities during the quarter ended September 30, 2013.

Period	Total Number of Shares Purchased (in millions)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in millions)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)

Edgar Filing: Chemtura CORP - Form 10-Q

July 1, 2013 - July 31, 2013	0.9	\$	22.06	0.9	\$	80
August 1, 2013 - August 31, 2013	1.0	\$	22.69	1.0	\$	57
September 1, 2013 - September 30, 2013	0.3	\$	22.32	0.3	\$	50
<b>Total</b>	2.2			2.2		

Table of Contents

**ITEM 4. Mine Safety Disclosures**

Not Applicable.

**ITEM 5. Other Information**

On October 30, 2013, the Company entered into Amendment No. 2 (the "Amendment") to the Senior Secured Term Facility Credit Agreement (as amended prior to the effectiveness of the Amendment, the "Term Loan Facility Agreement"), with Bank of America, N.A., as administrative agent, the other agents party thereto and the lenders party thereto. The Amendment provides for, among other modifications to the Term Loan Facility Agreement and related loan documents as set forth therein, (i) converting and/or refinancing the term loans outstanding under the Term Loan Facility Agreement (the "term loans") to term loans in equal principal amount with a lower interest rate (with interest on the term loans based, at the Company's option, on a LIBOR rate plus a margin of 2.75% per annum, with a LIBOR floor of 0.75%, or an alternate base rate plus a margin of 1.75% per annum), (ii) a 1% prepayment premium if the term loans are refinanced with certain "Specified Refinancing Debt" (as defined in the Amendment) within 6 months, (iii) scheduled quarterly amortization of the term loans in the amount of 1% annually, (iv) additional flexibility for the Company under certain of its operating covenants (including but not limited to additional flexibility for debt, investments, restricted payments and dispositions) in the Term Loan Facility Agreement, (v) changing the secured leverage ratio financial maintenance covenant to offset the amount of debt by the amount of unrestricted cash and cash equivalents of the Company and its subsidiaries, and (vi) authorizing the administrative agent to enter into an amended intercreditor agreement with respect to liens granted on the Company's and its domestic subsidiaries' assets to secure the Company's revolving credit facility, in the event the revolving credit facility is amended to include a foreign revolving subfacility that is secured by those assets.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the Amendment, a copy of which is attached to this Quarterly Report on Form 10-Q as Exhibit 4.1 and is incorporated by reference herein.

**ITEM 6. Exhibits**

The following documents are filed as part of this report:

Number	Description
4.1	Amendment No. 2 to the Senior Secured Term Facility Credit Agreement, dated as of October 30, 2013, among Chemtura Corporation, Bank of America, N.A., as Administrative Agent, the other agents party thereto and the Lenders party thereto.
31.1	Certification of Periodic Report by Chemtura Corporation's Chief Executive Officer (Section 302).
31.2	Certification of Periodic Report by Chemtura Corporation's Chief Financial Officer (Section 302).
32.1	Certification of Periodic Report by Chemtura Corporation's Chief Executive Officer (Section 906).

## Edgar Filing: Chemtura CORP - Form 10-Q

32.2	Certification of Periodic Report by Chemtura Corporation's Chief Financial Officer (Section 906).
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *

Table of Contents

**CHEMTURA CORPORATION**

**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.

CHEMTURA CORPORATION

(Registrant)

/s/ Laurence M. Orton

Name: Laurence M. Orton

Title: Vice President and Corporate Controller  
(Principal Accounting Officer)

Date: November 4, 2013