Chemtura CORP
Form 10-Q/A
May 17, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A
(Amendment No. 1)

x QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2011
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________________ to ____________________

(Commission File Number) 1-15339

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

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

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

(Former name, former address and former fiscal year, if changed from last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of the chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
¨ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer,” “non-accelerated filer” and “smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

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

Class	Number of shares outstanding at March 31, 2011
Common Stock - $.01 par value	96,296,096

CHEMTURA CORPORATION AND SUBSIDIARIES
FORM 10-Q/A
FOR THE QUARTER ENDED MARCH 31, 2011

Explanatory Note

This Amendment No. 1 on Form 10-Q/A ("Form 10-Q/A") is being filed to amend our Quarterly Report on Form 10-Q for the period ended March 31, 2011, which was filed with the Securities and Exchange Commission on May 5, 2011 (the "Original Form 10-Q").

This Form 10-Q/A is being filed for the sole purpose of correcting Exhibit 32.1 "Certification of Periodic Report by Chemtura Corporation's Chief Executive Officer (Section 906)" and Exhibit 32.2 "Certification of Periodic Report by Chemtura Corporation's Chief Financial Officer (Section 906)" to our Original Form 10-Q, which referred to an incorrect reporting period. No other items included in the Original Form 10-Q have been amended and this Form 10-Q/A does not provide an update for any events that have occurred subsequent to the filing of our Original Form 10-Q.

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PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

CHEMTURA CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)
Quarters ended March 31, 2011 and 2010
(In millions, except per share data)

	Quarters ended March 31, 2011	2010
Net sales	$699	$603
Cost of goods sold	538	469
Selling, general and administrative	79	76
Depreciation and amortization	37	49
Research and development	11	9
Facility closures, severance and related costs	-	2
Impairment charges	2	-
Changes in estimates related to expected allowable claims	-	122
Operating profit (loss)	32	(124)
Interest expense (a)	(16)	(12)
Loss on early extinguishment of debt	-	(13)
Other income (expense), net	1	(2)
Reorganization items, net	(7)	(21)
Earnings (loss) from continuing operations before income taxes	10	(172)
Income tax provision	(3)	(5)
Earnings (loss) from continuing operations	7	(177)
Loss from discontinued operations, net of tax	-	(2)
Net earnings (loss) attributable to Chemtura Corporation	$7	$(179)
Basic and diluted per share information - attributable to Chemtura		
Earnings (loss) from continuing operations, net of tax	$0.07	$(0.73)
Loss from discontinued operations, net of tax	-	(0.01)
Net earnings (loss) attributable to Chemtura	$0.07	$(0.74)
Weighted average shares outstanding	100.1	242.9

(a) Interest expense excludes unrecorded contractual interest expense of $20 million for the quarter ended March 31, 2010.

See accompanying notes to Consolidated Financial Statements.

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

	March 31, 2011 (unaudited)	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$113	$ 201
Restricted cash	4	32
Accounts receivable, net	583	489
Inventories, net	605	528
Other current assets	174	171
Total current assets	1,479	1,421
NON-CURRENT ASSETS		
Property, plant and equipment	724	716
Goodwill	178	175
Intangible assets, net	425	429
Non-current restricted cash	5	6
Other assets	201	166
Total assets	$3,012	$ 2,913
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$4	$ 3
Accounts payable	218	191
Accrued expenses	228	281
Income taxes payable	11	14
Total current liabilities	461	489
NON-CURRENT LIABILITIES		
Long-term debt	821	748
Pension and post-retirement health care liabilities	489	498
Other liabilities	217	207
Total liabilities	1,988	1,942
STOCKHOLDERS' EQUITY		
Common stock - $0.01 par value		
Authorized - 500.0 shares		
Issued and outstanding - 96.3 shares at March 31, 2011 and 95.6 shares at December 31, 2010	1	1
Additional paid-in capital	4,319	4,305
Accumulated deficit	(3,061)	(3,068)

Accumulated other comprehensive loss	(243)	(276)
Total Chemtura Corporation stockholders' equity	1,016	962
Non-controlling interest	8	9
Total stockholders' equity	1,024	971
Total liabilities and stockholders' equity	$3,012	$ 2,913

See accompanying notes to Consolidated Financial Statements.

CHEMTURA CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
Quarters ended March 31, 2011 and 2010
(In millions)

Increase (decrease) in cash	Quarters ended March 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss) attributable to Chemtura	$7	$(179)
Adjustments to reconcile net earnings (loss) attributable to Chemtura to net cash used in operating activities:		
Impairment charges	2	-
Loss on early extinguishment of debt	-	13
Depreciation and amortization	37	49
Stock-based compensation expense	8	-
Reorganization items, net	1	2
Changes in estimates related to expected allowable claims	-	122
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable	(83)	(97)
Inventories	(65)	(29)
Restricted cash	29	-
Accounts payable	23	32
Pension and post-retirement health care liabilities	(15)	(7)
Liabilities subject to compromise	-	(1)
Other	(56)	(14)
Net cash used in operating activities	(112)	(109)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisitions	(30)	-
Capital expenditures	(23)	(14)
Net cash used in investing activities	(53)	(14)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from ABL Facility, net	73	-
Proceeds from Amended DIP Credit Facility	-	299
Payments on DIP Credit Facility	-	(250)
Proceeds from 2007 Credit Facility, net	-	15
Proceeds from short term borrowings, net	1	-
Payments for debt issuance and refinancing costs	-	(16)
Net cash provided by financing activities	74	48
CASH AND CASH EQUIVALENTS		
Effect of exchange rates on cash and cash equivalents	3	(2)
Change in cash and cash equivalents	(88)	(77)
Cash and cash equivalents at beginning of period	201	236
Cash and cash equivalents at end of period	$113	$159

See accompanying notes to Consolidated Financial Statements.

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

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

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

The information in the foregoing Consolidated Financial Statements for the quarters ended March 31, 2011 and 2010 is unaudited but reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods presented. All such adjustments are of a normal recurring nature, except as otherwise disclosed in the accompanying notes to our Consolidated Financial Statements.

Basis of Presentation

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

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

We operated as a debtor-in-possession under the protection of the U.S. Bankruptcy Court from March 18, 2009 (the “Petition Date”) through November 10, 2010 (the “Effective Date”). From the Petition Date through the Effective Date, our Consolidated Financial Statements were prepared in accordance with Accounting Standards Codification (“ASC”) Section 852-10-45, Reorganizations – Other Presentation Matters (“ASC 852-10-45”) which requires that financial statements, for periods during the pendency of our Chapter 11 proceedings, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain income, expenses, realized gains and losses and provisions for losses that were realized or incurred during the Chapter

11 proceedings were recorded in reorganization items, net on our Consolidated Statements of Operations in 2010 and will continue in 2011, but at a much reduced amount. In connection with our emergence from Chapter 11 on November 10, 2010, we recorded certain “plan effect” adjustments to our Consolidated Financial Statements as of the Effective Date in order to reflect certain provisions of our plan of reorganization.

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

Accounting Policies and Other Items

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

Included in our restricted cash balance at March 31, 2011 and December 31, 2010 is $9 million and $38 million, respectively of cash on deposit for the settlement of disputed bankruptcy claims that existed on our Effective Date. At March 31, 2011, $4 million and $5 million of restricted cash is included within current assets and non-current assets, respectively, in our Consolidated Balance Sheet. At December 31, 2010, $32 million and $6 million of restricted cash is included within current assets and non-current assets, respectively, in our Consolidated Balance Sheet.

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

During the quarters ended March 31, 2011 and 2010, we made interest payments of approximately $23 million and $8 million, respectively. During the quarters ended March 31, 2011 and 2010, we made payments for income taxes (net of refunds) of $4 million and $2 million, respectively.

Accounting Developments

On January 21, 2010, the FASB issued ASU 2010-06, Improving Disclosures About Fair Value Measurements ("ASU 2010-06"), which amends ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"). ASU 2010-06 adds new requirements for disclosures about transfers into and out of fair value hierarchy Levels 1 and 2, as defined in ASC 820, and separate disclosures about purchases, sales, issuances, and settlements relating to fair value hierarchy Level 3 measurements. ASU 2010-06 also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 amends guidance on employers' disclosures about postretirement benefit plan assets under ASC Topic 715, Compensation - Retirement Benefits ("ASC 715") to require that disclosures be provided by classes of assets instead of by major categories of assets. ASU 2010-06 is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the fair value hierarchy Level 3 activity mentioned above, which is effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The adoption of this guidance did not have a material impact on our results of operations or financial condition because it provides enhanced disclosure requirements only.

2) BANKRUPTCY PROCEEDINGS AND EMERGENCE FROM CHAPTER 11

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

Southern District of New York (the “Bankruptcy Court”).

On August 8, 2010, our Canadian subsidiary, Chemtura Canada Co/Cie (“Chemtura Canada”), filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. On August 11, 2010, Chemtura Canada commenced ancillary recognition proceedings under Part IV of the Companies’ Creditors Arrangement Act (the “CCAA”) in the Ontario Superior Court of Justice (the “Canadian Court” and such proceedings, the “Canadian Case”). The U.S. Debtors along with Chemtura Canada (collectively the “Debtors”) requested the Bankruptcy Court to enter an order jointly administering Chemtura Canada’s Chapter 11 case with the previously filed Chapter 11 cases under lead case number 09-11233 (REG) and appoint Chemtura Canada as the “foreign representative” for the purposes of the Canadian Case. Such orders were granted on August 9, 2010. On August 11, 2010, the Canadian Court entered an order recognizing the Chapter 11 cases as a “foreign proceedings” under the CCAA.

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

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

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

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

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

Pursuant to the Plan and the October 29, 2010 order approving the Disputed Claims Reserve, Holders of Interests in Chemtura may also be entitled to supplemental distributions (in the form of cash and/or stock) if amounts reserved on account of disputed claims exceed the value of claims that are ultimately allowed. These Holders of Interests will be entitled to a portion of any excess value held in specified segregated reserves within the Disputed Claims Reserve following the resolution of the claims for which the segregated reserves are held. These Holders of Interests will also be entitled to all excess value held in the Disputed Claims Reserve after all disputed claims are either disallowed or allowed and satisfied from the Disputed Claims Reserve. If authorized by the Bankruptcy Court, Holders of Interests may also be entitled to interim distributions from the Disputed Claims Reserve if the Bankruptcy Court determines that the amount held in the reserve may be reduced before all disputed claims have been allowed or disallowed. We made our first supplemental distribution in March 2011, representing a portion of excess value held in specific segregated reserves within the Disputed Claims Reserve.

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

(In millions)	Diacetyl Reserve	Environmental Reserve	Disputed Claims Reserve	Segregated Reserves	Total Reserves
Distributable amount approved at Effective Date	$7	$ 38	$42	$30	$117
Settlements	(7)	(9)	(2)	(4)	(22)
Distributable balance at December 31, 2010	$-	$ 29	$40	$26	$95
Settlements	-	(27)	(5)	-	(32)
Supplemental distribution	-	-	3	(7)	(4)
Distributable balance at March 31, 2011	$-	$ 2	$38	$19	$59

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

	Quarters ended March 31,	
(In millions)	2011	2010
Professional fees	$6	$18
Rejections or terminations of lease agreements (a)	-	2
Severance - closure of manufacturing plants and warehouses (a)	-	1
Claim settlements, net (b)	1	-
Total reorganization items, net	$7	$21

(a) Represents charges for cost savings initiatives for which Bankruptcy Court approval has been obtained or requested. For additional information see Note 16 – Restructuring Activities.
(b) Represents the difference between the settlement amount of certain pre-petition obligations (which for obligations settled in New Common Stock is based on the fair value of our stock at the issuance date) and the corresponding carrying value of the recorded liabilities.

3) ACQUISITIONS AND DIVESTITURES

Acquisitions

On January 26, 2011, we announced the formation of ISEM S.r.l. ("ISEM"), a strategic research and development alliance with Isagro S.p.A., which will provide us access to two commercialized products and accelerate the development and commercialization of new active ingredients and molecules related to our Chemtura AgroSolutions segment. ISEM is a 50/50 joint venture between us and Isagro S.P.A. and is being accounted for as an equity method investment in our Consolidated Financial Statements in accordance with ASC Topic 323, Investments – Equity Method and Joint Ventures ("ASC 323"). Our investment in the joint venture was €20 million ($28 million), which was made in January 2011. In addition, we and Isagro S.p.A. have agreed to jointly fund discovery and development efforts for ISEM, which is expected to amount to approximately $2 million per year from each partner for five years. We will fund our contributions in part by a reduction in our planned direct research and development spending.

On February 1, 2011, we announced the formation of DayStar Materials, LLC, a joint venture with UP Chemical Co. Ltd. that will manufacture and sell high purity metal organic precursors for the rapidly growing LED market for our Industrial Engineered Products segment. The joint venture will begin supplying high purity metal organic precursors in the third quarter of 2011. DayStar Materials, LLC is a 50/50 joint venture and is being accounted for as an equity method investment in our Consolidated Financial Statement in accordance with ASC 323. Our initial cash contribution was $2 million in February 2011, and we expect to make additional contributions of up to $5 million in 2011 in accordance with the agreement.

Divestitures

PVC Additives Divestiture

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

Sodium Sulfonates Divestiture

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

4) INVENTORIES

Components of inventories are as follows:

(In millions)	March 31, 2011	December 31, 2010
Finished goods	$ 384	$ 325
Work in process	43	41
Raw materials and supplies	178	162
	$ 605	$ 528

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

5) PROPERTY, PLANT AND EQUIPMENT

(In millions)	March 31, 2011	December 31, 2010
Land and improvements	$ 81	$ 79
Buildings and improvements	236	231
Machinery and equipment	1,219	1,174
Information systems equipment	180	173
Furniture, fixtures and other	32	32
Construction in progress	92	97
	1,840	1,786
Less accumulated depreciation	1,116	1,070

	$ 724	$ 716

Depreciation expense was $26 million and $39 million for the quarters ended March 31, 2011 and 2010, respectively. Depreciation expense includes accelerated depreciation of certain fixed assets associated with our restructuring programs of $1 million and $11 million for the quarters ended March 31, 2011 and 2010, respectively.

6) GOODWILL AND INTANGIBLE ASSETS

Goodwill by reportable segment is as follows:

(In millions)	Industrial Performance Products
Goodwill at December 31, 2010	$ 265
Accumulated impairments at December 31, 2010	(90)
Net Goodwill at December 31, 2010	175
Impact of foreign currency translation	3
Goodwill at March 31, 2011	268
Accumulated impairments at March 31, 2011	(90)
Net Goodwill at March 31, 2011	$ 178

We elected to perform our annual goodwill impairment procedures for all of our reporting units in accordance with ASC Subtopic 350-20, Intangibles – Goodwill and Other - Goodwill ("ASC 350-20") as of July 31, or sooner, if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We estimate the fair value of our reporting units utilizing income and market approaches through the application of discounted cash flow and market comparable methods (Level 3 inputs as described in Note 14 – Financial Instruments and Fair Value Measurements). The assessment is required to be performed in two steps: step one to test for a potential impairment of goodwill and, if potential impairments are identified, step two to measure the impairment loss through a full fair valuing of the assets and liabilities of the reporting unit utilizing the acquisition method of accounting.

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

During 2010, we identified risks inherent in Chemtura AgroSolutions reporting units forecast given the recent performance of this reporting unit, which has been below expectations. At the end of the fourth quarter of 2010, this reporting unit's performance had significantly fallen below expectations for several consecutive quarters. We concluded that it was appropriate to perform a goodwill impairment review as of December 31, 2010. We used revised forecasts to compute the estimated fair value of this reporting unit. These projections indicated that the estimated fair value of the Chemtura AgroSolutions reporting unit was less than the carrying value. Based upon our preliminary step 2 analysis, an estimated goodwill impairment charge of $57 million was recorded in December 2010 (representing the remaining goodwill of this reporting unit). Due to the complexities of the analysis, which involved an allocation of the fair value, we finalized our step 2 analysis and goodwill impairment charge in the first quarter of 2011. This analysis supported our 2010 conclusion that the goodwill was fully impaired.

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

	March 31, 2011			December 31, 2010		
(In millions)	Gross Cost	Accumulated Amortization	Net Intangibles	Gross Cost	Accumulated Amortization	Net Intangibles
Patents	$128	$ (65)	$63	$127	$ (62)	$65

Trademarks	269	(65	) 204	264	(62	) 202
Customer relationships	149	(46	) 103	147	(43	) 104
Production rights	46	(25	) 21	46	(24	) 22
Other	72	(38	) 34	73	(37	) 36
Total	$664	$ (239	) $425	$657	$ (228	) $429

The increase in gross intangible assets since December 31, 2010 is primarily due to foreign currency translation, partially offset by a $2 million impairment charge.

Amortization expense related to intangible assets amounted to $11 million and $9 million for the quarters ended March 31, 2011 and 2010, respectively.

7) DEBT

Our debt is comprised of the following:

(In millions)	March 31, 2011	December 31, 2010
7.875% Senior Notes due 2018	$ 452	$ 452
Term Loan due 2016	292	292
ABL Facility	73	-
Other borrowings	8	7
Total Debt	825	751
Less: Short-term borrowings	(4)	(3)
Total Long-Term Debt	$ 821	$ 748

Financing Facilities

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

Senior Notes

Our Senior Notes contain covenants that limit our ability to enter into certain transactions, such as incurring additional indebtedness, creating liens, paying dividends, and entering into certain dispositions and joint ventures. As of March 31, 2011, we were in compliance with the covenant requirements of the Senior Notes.

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

In connection with the Senior Notes, we filed a registration statement on Form S-4, as amended, to exchange registered exchange notes for unregistered senior notes originally issued in the private placement offering.

Term Loan

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

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

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

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

Additionally, the Term Loan requires that we meet certain financial maintenance covenants including a maximum Secured Leverage Ratio (as defined in the agreement) of 2.5:1.0 and a minimum Consolidated Interest Coverage Ratio (as defined in the agreement) of 3.0:1.0. As of March 31, 2011, we were in compliance with the covenant requirements of the Term Loan.

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

ABL Facility

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

If, at the end of any business day, the amount of unrestricted cash and cash equivalents held by the borrowers and guarantors (excluding amounts in certain exempt accounts) exceeds $20 million in the aggregate, mandatory prepayments of the loans under the ABL Facility (and cash collateralization of outstanding letters of credit) are required on the following business day in an amount necessary to eliminate such excess (net of our known cash uses on the date of such prepayment and for the 2 business days thereafter).

The ABL Facility agreement contains certain affirmative and negative covenants (applicable to us, the other borrowing subsidiaries, the guarantors and their respective subsidiaries), including, without limitation, covenants requiring financial reporting and notices of certain events, and covenants imposing limitations on incurrence of indebtedness and guarantees; liens; loans and investments; asset dispositions; dividends, redemptions, and repurchases of stock and prepayments, redemptions and repurchases of certain indebtedness; mergers, consolidations, acquisitions, joint ventures or creation of subsidiaries; material changes in business; transactions with affiliates; restrictions on distributions from subsidiaries and granting of negative pledges; changes in accounting and reporting; sale leasebacks; and speculative transactions, and a springing financial covenant requiring a minimum trailing 12-month fixed charge coverage ratio of 1.1 to 1.0 at all times during any period from the date when the amount available for borrowings under the ABL Facility falls below the greater of (i) $34 million and (ii) 12.5% of the aggregate commitments to the date such available amount has been equal to or greater than the greater of (i) $34 million and (ii) 12.5% of the aggregate commitments for 45 consecutive days. As of March 31, 2011, we were in compliance with the covenant requirements of the ABL Facility.

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

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

At March 31, 2011, we had $73 million of borrowings under the ABL Facility and $16 million of outstanding letters of credit (primarily related to liabilities for insurance obligations and vendor deposits), which utilizes available capacity under the facility. At December 31, 2010, we had no borrowings under the ABL and $12 million of outstanding letters of credit. At March 31, 2011 and December 31, 2010 we had approximately $186 million and $185 million, respectively, of undrawn availability under the ABL Facility.

8) INCOME TAXES

For the quarters ended March 31, 2011 and 2010, we reported an income tax provision from continuing operations of $3 million and $5 million, respectively. We have offset our current year-to-date U.S income with net operating loss carryforwards and reduced the associated valuation allowance. In the quarter ended March 31, 2010, we established a valuation allowance against the tax benefits associated with our 2010 U.S. net operating loss. We will continue to adjust our tax provision through the establishment or reduction of non-cash valuation allowances until we determine that it is more-likely then 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 $41 million at March 31, 2011 and December 31, 2010.

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 $14 million within the next year. This reduction may occur due to the expiration of the statute of limitations or conclusion of examinations by tax authorities. We further expect that the amount of unrecognized tax benefits will continue to change as a result of ongoing operations and the outcomes of audits. This change is not expected to have a significant impact on our results of operations or financial condition.

9) COMPREHENSIVE INCOME (LOSS)

An analysis of the Company's comprehensive income (loss) follows:

	Quarters ended March 31,	
(In millions)	2011	2010
Net earnings (loss)	$ 7	$ (179)
Other comprehensive income (loss), (net of tax):		
Foreign currency translation adjustments	31	(24)
Unrecognized pension and other post-retirement benefit costs	2	26
Comprehensive income (loss)	40	(177)
Comprehensive income attributable to the non-controlling interest	-	(1)
Comprehensive income (loss) attributable to Chemtura	$ 40	$ (178)

The components of accumulated other comprehensive loss, net of tax at March 31, 2011 and December 31, 2010, are as follows:

(In millions)	March 31, 2011	December 31, 2010
Foreign currency translation adjustments	$ 119	$ 88
Unrecognized pension and other post-retirement benefit costs	(362)	(364)
Accumulated other comprehensive loss	$ (243)	$ (276)

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10) EARNINGS (LOSS) PER COMMON SHARE

The computation of basic earnings (loss) per common share is based on the weighted average number of common shares outstanding. The computation of diluted earnings (loss) per common share is based on the weighted average number of common and common share equivalents outstanding. We had no outstanding common share equivalents for the quarters ended March 31, 2011 and 2010 for purposes of computing diluted earnings (loss) per share.

The weighted average common shares outstanding for the quarters ended March 31, 2011 and 2010 were 100.1 million and 242.9 million, respectively. Upon the Effective Date of our Plan all previously outstanding shares of common stock were cancelled and approximately 96 million shares of New Common Stock were issued. The weighted average shares for the first quarter of 2010 was based upon 243 million of old shares. As a result, the average shares outstanding of our New Common Stock for the first quarter of 2011 is not comparable to the prior year. The weighted average common shares outstanding for the quarter ended March 31, 2011 includes approximately 3.7 million shares of common stock reserved for future issuances under the Plan as disputed claims are settled.

1.0 million bonus units with a performance criteria and 0.5 million restricted stock units ("RSUs") with a performance criteria at March 31, 2011 and 2010, respectively, were also excluded from the calculation of diluted earnings (loss) per share because the specified performance criteria for the vesting of these units had not yet been met. The bonus units and RSUs could be dilutive in the future if the specified performance criteria are met.

11) STOCK-BASED COMPENSATION

In 2010, we implemented 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 bankruptcy. All stock-based compensation plans existing prior to the Effective Date were terminated and any unvested or unexercised shares associated with these plans were cancelled. The 2010 LTIP provides for grants of nonqualified stock options ("NQOs"), incentive stock options ("ISOs"), stock appreciation rights, dividend equivalent rights, stock units, bonus stock, performance awards, share awards, restricted stock, time-based RSUs and performance-based RSUs. The 2010 LTIP provides for the issuance of a maximum of 11 million shares. NQOs and ISOs may be granted under the 2010 LTIP at prices equal to the fair market value of the underlying common shares on the date of the grant. All outstanding stock options will expire not more than ten years from the date of the grant. As of March 31, 2011, grants authorized under the 2010 LTIP are being administered through the various award plans that are described below as the 2009 Emergence Incentive Plan (the "2009 EIP"), the 2010 Emergence Incentive Plan (the "2010 EIP"), 2011 Long-Term Incentive Plan (the "2011 LTIP") and 2010 Emergence Award Plan (the "2010 EAP"), as well as other grants made to the Board of Directors.

Stock-based compensation expense, including amounts for time-based RSU's, NQOs and the 2010 EAP, was $8 million for the quarter ended March 31, 2011. Stock-based compensation expense for the quarter ended March 31, 2010 was less than $1 million. Stock-based compensation expense was primarily reported in SG&A.

Stock Option Plans

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

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

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

We use the Black-Scholes option-pricing model to determine the fair value of NQOs. We have elected to recognize compensation cost for awards of NQOs equally over the requisite service period for each separately vesting tranche, as if multiple awards were granted. Using this method, the weighted average fair value of stock options granted during the quarter ended March 31, 2011 was $8.40.

Total remaining unrecognized compensation cost associated with unvested NQOs at March 31, 2011 was $14 million, which will be recognized over the weighted average period of approximately 3 years.

Restricted Stock Plans

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

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

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

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

In March 2011, we granted bonus units under the 2010 EAP, which was previously approved by the Bankruptcy Court and carries a performance condition requirement. This performance award will be based on achievement against a performance goal for 2011 cumulative earnings before interest, taxes, depreciation and amortization expense ("EBITDA"). Results of EBITDA will be adjusted to exclude certain categories of income and expense as defined in the 2010 EAP. This award is for a maximum of 1 million shares. Shares are awarded based upon the achievement against the performance goal and will be vested and distributed to the participants in March 2012.

Total remaining unrecognized compensation cost associated with unvested time-based RSU's and the 2010 EAP bonus units at March 31, 2011 was $27 million, which will be recognized over the weighted average period of approximately 2 year.

12) PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Components of our defined benefit plans net periodic benefit (credit) cost for the quarters ended March 31, 2011 and 2010 are as follows:

	Qualified U.S. Plans Quarter ended March 31,		Defined Benefit Plans International and Non-Qualified Plans Quarter ended March 31,		Post-Retirement Health Care Plans Quarter ended March 31,	
(In millions)	2011	2010	2011	2010	2011	2010
Service cost	$-	$-	$1	$1	$-	$-
Interest cost	12	12	5	6	1	2
Expected return on plan assets	(14)	(14)	(4)	(5)	-	-
Amortization of prior service cost	3	-	-	-	-	(1)
Amortization of actuarial losses	-	2	-	-	(1)	1
Net periodic benefit cost	$1	$-	$2	$2	$-	$2

We contributed $8 million to our U.S. qualified pension plans, $1 million to our U.S. non-qualified pension plans and $6 million to our international pension plans for the quarter ended March 31, 2011. Contributions to post-retirement health care plans for the quarter ended March 31, 2011 were $3 million.

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

On April 5, 2010, the Bankruptcy Court entered an order denying certain Uniroyal non-union salaried retirees' (the “Uniroyal Salaried Retirees”) motion to reconsider the Bankruptcy Court's 2009 order authorizing the modification of certain benefits under the Company's post-retirement health care plans. On April 8, 2010, the Uniroyal Salaried Retirees appealed the Bankruptcy Court's April 5, 2010 order. On April 14, 2010, the Uniroyal Salaried Retirees sought a stay of the Bankruptcy Court's 2009 order as to the Company's modification of their retiree benefits pending their appeal. On April 21, 2010, the Bankruptcy Court ordered us not to modify the retiree benefits for the Uniroyal Salaried Retirees, pending a hearing and a decision as to the stay. After consulting with the official committees of unsecured creditors and equity security holders, we requested that the Bankruptcy Court have a hearing to decide, as a matter of law, whether we have the right to modify the post-retirement health care plan benefits of the Uniroyal Salaried Retirees as requested in 2009. No decision has been made on this matter as of March 31, 2011 as the hearing has been postponed until June 1, 2011.