Chemtura CORP
Form 10-Q
October 31, 2016
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

o 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 o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of the chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o 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 x	Accelerated filer o
Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

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

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

Class	Number of shares outstanding at

	September 30, 2016
Common Stock - $.01 par value	62,974,764

CHEMTURA CORPORATION AND SUBSIDIARIES
FORM 10-Q
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2016

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CHEMTURA CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)
Quarters and nine months ended September 30, 2016 and 2015
(In millions, except per share data)

	Quarters ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net sales	$414	$444	$1,269	$1,346
Cost of goods sold	289	327	904	1,017
Selling, general and administrative	35	36	105	113
Depreciation and amortization	21	22	64	70
Research and development	5	4	15	15
Facility closures, severance and related costs	1	1	1	2
Merger and integration costs	11	—	11	—
Loss on sale of business	1	1	1	4
Impairment charges	—	—	1	—
Pension settlement	—	—	162	—
Equity income	—	—	—	(1)
Operating income	51	53	5	126
Interest expense	(8)	(7)	(24)	(23)
Other (expense) income, net	(1)	1	(3)	10
Earnings (loss) before income taxes	42	47	(22)	113
Income tax expense	(17)	(16)	(15)	(43)
Net earnings (loss)	$25	$31	$(37)	$70
Basic per share information				
Net earnings (loss)	$0.40	$0.46	$(0.58)	$1.03
Diluted per share information				
Net earnings (loss)	$0.39	$0.45	$(0.58)	$1.02
Weighted average shares outstanding - Basic	63.0	67.5	64.1	68.0
Weighted average shares outstanding - Diluted	63.9	68.3	64.1	68.8

See accompanying notes to Consolidated Financial Statements.

CHEMTURA CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
Quarters and nine months ended September 30, 2016 and 2015
(In millions)

	Quarters ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net earnings (loss)	$25	$31	$(37)	$70
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(3)	(21)	(6)	(39)
Pension and other post-retirement benefit costs	1	(2)	133	1
Unrealized gain on available for sale securities	—	—	—	5
Comprehensive income	$23	$8	$90	$37

See accompanying notes to Consolidated Financial Statements

CHEMTURA CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
September 30, 2016 (Unaudited) and December 31, 2015
(In millions, except par value data)

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 202	$ 323
Accounts receivable, net	219	210
Inventories, net	328	315
Other current assets	134	130
Total current assets	883	978
NON-CURRENT ASSETS		
Property, plant and equipment, net	665	663
Goodwill	162	166
Intangible assets, net	81	88
Deferred tax asset	319	354
Other assets	116	111
Total assets	$ 2,226	$ 2,360
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 13	$ 46
Accounts payable	125	120
Accrued expenses	126	142
Below market contract obligation - current	38	38
Income taxes payable	17	15
Total current liabilities	319	361
NON-CURRENT LIABILITIES		
Long-term debt	466	465
Pension and post-retirement health care liabilities	226	270
Below market contract obligation - non-current	117	145
Deferred tax liability	7	7
Other liabilities	107	110
Total liabilities	1,242	1,358
EQUITY		
Common stock - $0.01 par value Authorized - 500.0 shares Issued - 100.6 shares at September 30, 2016 and 100.6 shares at December 31, 2015	1	1
Additional paid-in capital	4,373	4,371
Accumulated deficit	(2,163)	(2,126)
Accumulated other comprehensive loss	(335)	(462)
Treasury stock - at cost - 37.7 shares at September 30, 2016 and 33.4 shares at December 31, 2015	(893)	(783)
Total Chemtura stockholders' equity	983	1,001
Non-controlling interest	1	1
Total equity	984	1,002
Total liabilities and equity	$ 2,226	$ 2,360

See accompanying notes to Consolidated Financial Statements.

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CHEMTURA CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
Nine months ended September 30, 2016 and 2015
(In millions)

	Nine months ended September 30, 2016			2015		
Increase (decrease) in cash						
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) earnings	$	(37	)	$	70	
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:						
Merger and integration costs	4			—		
Loss on sale of business	1			4		
Below market contract obligation	(29		)	(29		)
Pension settlement	162			—		
Depreciation and amortization	64			70		
Share-based compensation expense	9			9		
Other non-cash transactions	1			—		
Changes in assets and liabilities, net of assets acquired and liabilities assumed:						
Accounts receivable	(7		)	8		
Inventories	(11		)	(3		)
Accounts payable	5			(1		)
Pension and post-retirement health care liabilities	(57		)	(25		)
Other	(18		)	14		
Net cash provided by operating activities	87			117		
CASH FLOWS FROM INVESTING ACTIVITIES						
Net proceeds from divestments	—			3		
Sale of Platform Specialty Products Corporation shares	—			54		
Capital expenditures	(62		)	(53		)
Net cash (used in) provided by investing activities	(62		)	4		
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments on long term debt	(41		)	(59		)
Proceeds from short-term borrowings, net	6			—		
Common shares acquired	(116		)	(140		)
Proceeds from exercise of stock options	—			13		
Net cash used in financing activities	(151		)	(186		)

CASH AND CASH EQUIVALENTS		
Effect of exchange rates on cash and cash equivalents	5	(10)
Change in cash and cash equivalents	(121)	(75)
Cash and cash equivalents at beginning of period	323	392
Cash and cash equivalents at end of period	$ 202	$ 317

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 a global specialty chemical company dedicated to delivering innovative, performance-driven engineered specialty chemical solutions which are used as additives, ingredients or intermediates that add value to our customers' end products. We are committed to global sustainability through “greener technology” and developing engineered chemical solutions that meet our customers’ evolving needs. We operate in a wide variety of end-use industries, including automotive, building and construction, electronics, energy, lubricants, packaging and transportation. We are a leader in many of our key product lines and transact business in more than 80 countries.

Our principal executive offices are located in Philadelphia, PA and Middlebury, CT.

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.

The information in the foregoing Consolidated Financial Statements for the quarters and nine months ended September 30, 2016 and 2015 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 (“U.S. GAAP”), which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

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 year ended December 31, 2015 (the “2015 Form 10-K”). The consolidated results of operations for the quarter and nine months ended September 30, 2016 are not necessarily indicative of the results expected for the full year.

In accordance with the requirements of ASC 740, Income Taxes, we calculate our interim period income tax expense based upon an estimated effective tax rate for the annual period multiplied by our interim earnings (loss) before income taxes, adjusted for discrete items as necessary.

Accounting Policies and Other Items

Included in accounts receivable are allowances for doubtful accounts of $4 million and $2 million as of September 30, 2016 and December 31, 2015, respectively.

During the nine months ended September 30, 2016 and 2015, we made cash interest payments of $29 million and $30 million, respectively, and cash payments for income taxes (net of refunds) of $22 million and $32 million, respectively.

At September 30, 2016, $2 million of our asset retirement obligation balance was included in accrued expenses and $15 million was included in other liabilities in our Consolidated Balance Sheet. At December 31, 2015, $1 million of asset retirement obligation balance was included in accrued expense and $15 million was included in other liabilities in our Consolidated Balance Sheet.

Accounting Developments

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective on January 1, 2018. Early adoption is permitted in 2017 for calendar year entities. We currently do not intend to early adopt. The standard permits the use of either the retrospective or cumulative effect transition method. We are in the process of assessing our current practices against the requirements of this ASU and evaluating the effect that the ASU will have on our Consolidated Financial Statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. Under current U.S. GAAP, debt issuance costs are reported on the balance sheet as assets and amortized as interest expense. This ASU requires that they be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability, which is similar to the presentation of debt discounts or premiums. The costs will continue to be amortized to interest expense using the effective interest method. We adopted this guidance retrospectively during the first quarter of 2016. As a result of adoption of this guidance, total assets and total liabilities as of December 31, 2015 decreased as discussed below:

	December 31, 2015		
(in millions)	Previously reported	Reclassification	Current presentation
Other assets	$117	(6)	$ 111
Total assets	$2,366	(6)	$ 2,360
Long-term debt	$471	(6)	$ 465
Total liabilities	$1,364	(6)	$ 1,358
Total liabilities and equity	$2,366	(6)	$ 2,360

In July 2015, the FASB issued ASU No. 2015-11 Simplifying the Measurement of Inventory, which requires inventory to be measured at the lower of cost and net realizable value. This new standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and is to be applied prospectively. While early adoption is permitted we do not intend to early adopt these provisions. The adoption of this ASU will not have a material impact on our Consolidated Financial Statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The provisions of ASU 2016-02 are effective for fiscal years and interim periods beginning after December 15, 2018 and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. We are currently evaluating the impact this accounting standard will have on our Consolidated Financial Statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which changes several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities, employee tax withholding, calculation of shares for use in diluted earnings per share and classification on the statement of cash flows. The provisions of ASU 2016-09 are effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is permitted. We have evaluated the impact of this standard based on the information available to us as of September 30, 2016 and have determined that it would not have a material impact on our Consolidated Financial Statements or related disclosures. We intend to adopt this new ASU on January 1, 2017.

2) MERGERS AND DIVESTITURES

Pending merger transaction with Lanxess

On September 25, 2016, we entered into an agreement and plan of merger (the "Merger Agreement") with Lanxess Deutschland GmbH, a limited liability company under the laws of Germany ("Lanxess"), and LANXESS Additives Inc., a Delaware corporation and an indirect, wholly owned subsidiary of Lanxess ("Merger Subsidiary"). Upon the terms, and subject to the conditions set forth in the Merger Agreement, Merger Subsidiary will merge with and into Chemtura (the "Merger"), with Chemtura surviving the merger in an all-cash transaction in which Chemtura stockholders will receive $33.50 in cash, without interest, per share of Chemtura common stock, which represented an 18.9% premium to the stock’s closing share price of $28.18 on September 23, 2016, the last trading day prior to the announcement of the Merger. Chemtura and Lanxess have each made customary representations, warranties and covenants in the Merger Agreement. The Merger Agreement is subject to customary closing conditions including, among others, approval of the Merger Agreement by Chemtura stockholders, regulatory approvals and the absence of a material adverse effect on our financial condition, business, assets, liabilities or results of operations. Closing is not subject to any vote of Lanxess’s stockholders or any financing condition.

The Merger Agreement contains certain termination rights for both Chemtura and Lanxess and further provides that, upon termination of the Merger Agreement under certain circumstances, including if we terminate the Merger Agreement to accept a superior proposal, we may be required to pay Lanxess a termination fee equal to $75 million as a condition to our ability to exercise our right to terminate the Merger Agreement and accept the superior proposal.

We expect to file a preliminary proxy statement with the SEC regarding the Merger. The description of the Merger Agreement and the Merger herein does not purport to be complete and is subject to, and qualified in its entirety by the full text of the Merger Agreement attached as Exhibit 2.1 to the Current Report on Form 8-K filed on September 26, 2016.

Contemporaneous with the execution of the Merger Agreement, we entered into an agreement with SK Blue Holdings, Ltd., and Addivant USA Holdings Corp (collectively, "Addivant") that committed us to surrender our shares of Addivant preferred stock to Addivant along with a cash payment of $1 million in exchange for a modification of a non-compete agreement entered into in conjunction with the sale of our antioxidants business to Addivant in 2013. Reflecting the terms of this agreement, in the third quarter of 2016, we took a charge of $5 million which is included in merger and integration costs described below. The agreement with Addivant also provides for certain other changes to our continuing supply agreements with Addivant contingent upon the completion of the Merger.

During the third quarter of 2016, we recorded $11 million of merger and integration costs, which primarily are comprised of the legal and other fees associated with the signing of the Merger Agreement and the terms of the agreement with Addivant.

Chemtura AgroSolutions business divestiture

In November 2014, we sold our Chemtura AgroSolutions business to Platform Specialty Products Corporation ("Platform") under a Stock and Asset Purchase Agreement ("SAPA") for approximately $1 billion, consisting of $950 million in cash and 2 million shares of Platform's common stock. During 2015, we sold the 2 million shares of Platform common stock for net proceeds of $54 million. The purchase price was subject to customary post-closing adjustments, primarily for working capital which was settled during 2015.

Under the terms of the SAPA, we retained most of the property, plant and equipment used to manufacture products of the Chemtura AgroSolutions business and continue to manufacture products for Platform under several supply agreements and a tolling agreement (collectively, the "supply agreements") with minimum terms of between two and four years. In alignment with the change in the nature of operations, we changed the name of this segment to Agrochemical Manufacturing.

The supply agreements with Platform are designed to recover the cash costs incurred to manufacture the products under the agreements. Accordingly, the supply agreements are considered below-market contracts for their full term. As of September 30, 2016, our Consolidated Balance Sheet included $155 million, which represents the remaining loss of profit, on a discounted basis, for these products over the remaining terms of the supply agreements, including contractual obligations to continue to supply for a period of up to 2 years after termination of the supply agreements. The recognition of this obligation, along with the accretion of the obligation to its undiscounted value, has been and will continue to be recorded as net sales in the Agrochemical Manufacturing segment on a straight-line basis over the term of each supply agreement based on our estimate of the timing of shipments. The recognition of this obligation will not generate cash flows during the term of the supply agreements. As of September 30, 2016, the current and long-term portions of this obligation, on a discounted basis, were $38 million and $117 million, respectively.

As of December 31, 2014, we had not transferred ownership of our wholly-owned subsidiary in Russia and our 15% investment in Certis Europe B.V. ("Certis") to Platform as provided in the SAPA due to certain pending approvals. The value ascribed to these investments as part of the purchase price was received at the closing in November 2014. We closed on the sale of our subsidiary in Russia in January 2015 and we transferred our shares in Certis to Platform during the second quarter of 2015.

Included in the loss on sale of business for the nine months ended September 30, 2015 are customary working capital and other adjustments and the sale of our wholly-owned subsidiary in Russia.

3) RESTRUCTURING ACTIVITIES

We recorded a pre-tax charge of $1 million during the quarter ended September 30, 2016 primarily for professional fees related to the closure of the West Lafayette, Indiana facility that was initiated in February 2015.

A summary of the changes in the liabilities established for restructuring programs during the nine months ended September 30, 2016 is as follows:

(In millions)	Severance and Related Costs
Balance at December 31, 2015	$ 3
2016 charge	1
Cash payments	(3)
Balance at September 30, 2016	$ 1

At September 30, 2016 and December 31, 2015, the balance of these reserves were included in accrued expenses in our Consolidated Balance Sheet.

4) INVENTORIES

(In millions)	September 30, 2016	December 31, 2015
Finished goods	$ 214	$ 209
Work in process	38	38
Raw materials and supplies	76	68
	$ 328	$ 315

Included in the above net inventory balances are inventory obsolescence reserves of approximately $12 million and $20 million at September 30, 2016 and December 31, 2015, respectively.

5) PROPERTY, PLANT AND EQUIPMENT

(In millions)	September 30, 2016	December 31, 2015
Land and improvements	$ 61	$ 63
Buildings and improvements	204	200
Machinery and equipment	1,256	1,201
Information systems equipment	161	161
Furniture, fixtures and other	19	19
Construction in progress	58	65
	1,759	1,709
Less: accumulated depreciation	1,094	1,046
	$ 665	$ 663

Depreciation expense was $19 million for the quarters ended September 30, 2016 and 2015 and $58 million and $61 million for the nine months ended September 30, 2016 and 2015, respectively. Depreciation expense included accelerated depreciation of certain fixed assets associated with our restructuring programs of $2 million for the nine months ended September 30, 2015.

6) GOODWILL AND INTANGIBLE ASSETS

Goodwill was $162 million and $166 million at September 30, 2016 and December 31, 2015, respectively. The decrease in goodwill since December 31, 2015 was due to foreign currency translation. The goodwill is allocated to the Industrial Performance Products segment.

Our intangible assets, excluding goodwill, consist of Patents, Trademarks, Customer Relationships and Other Intangibles. At September 30, 2016 and December 31, 2015, our net intangible assets were $81 million and $88 million, respectively. The decrease was primarily due to amortization expense. Amortization expense related to intangible assets was $2 million and $3 million for the quarters ended September 30, 2016 and 2015, respectively and $6 million and $9 million for the nine months ended September 30, 2016 and 2015, respectively.

7) DEBT

Our debt is comprised of the following:

(In millions)	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
5.75% Senior Notes due 2021	$ 445	$ 473	$ 444	$ 452
Term Loan due 2016	1	1	40	40
Other borrowings	33	33	27	27
Total Debt	479	507	511	519
Less: Other short-term borrowings	(12)		(6)	
Less: Current portion of Term Loan	(1)		(40)	
Total Long-term debt	$ 466		$ 465	

Financing Facilities

2021 Senior Notes

In July 2013, we completed a registered public offering of $450 million of 5.75% Senior Notes due 2021 (the "2021 Senior Notes").

We are permitted to redeem some or all of the 2021 Senior Notes, 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% of the principal amount, in each case plus any accrued and unpaid interest to the redemption date. If we experience certain kinds of changes in control, as defined in the indenture governing the 2021 Senior Notes (the "2021 Indenture"), we may be required to offer to repurchase all of the 2021 Senior Notes at a redemption price (subject to limitations as described in the 2021 Indenture) 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.

Our 2021 Senior Notes are subject to certain events of default, including, among others, breach of other agreements in the 2021 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.

Term Loan

In August 2010, we entered into a senior secured term loan facility due August 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%. Repayments were made on the Term Loan in 2013 and 2014 with proceeds from the 2021 Senior Notes offering, the cash proceeds from the sale of businesses and cash on hand. In May 2015, we made an additional repayment of $42 million. In June 2016, we made a payment of $39 million on the Term Loan leaving $1 million remaining outstanding at September 30, 2016.

Borrowings under the Term Loan bear interest at a rate per annum equal to, at our election, (i) 1.75% plus the Base Rate (defined as the higher of (a) the Federal Funds rate plus 0.5%; (b) Bank of America's published prime rate; and (c) the Eurodollar Rate plus 1%) or (ii) 2.75% plus the Eurodollar Rate (defined as the higher of (a) 0.75% and (b) the current LIBOR adjusted for reserve requirements).

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The Term Loan contains covenants that limit, among other things, our ability to enter into certain transactions, such as creating liens, incurring additional indebtedness or repaying certain indebtedness, making investments, paying dividends, and entering into acquisitions, dispositions and joint ventures.
Additionally, the Term Loan requires that we meet certain financial maintenance covenants including a maximum Secured Leverage Ratio (net of unrestricted cash, 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. Additionally, the Term Loan contains a covenant related to the repayment of excess cash flow (as defined in the agreement). As of September 30, 2016, we were in compliance with the covenant requirements of the Term Loan.
In July 2016, we amended our Term Loan providing for a new $1 million term loan which was borrowed to refinance the remaining balance of the Term Loan. The interest rate for the new term loan is identical to and maintains substantially identical collateral, covenants, events of default, representations and warranties and other terms as the original Term Loan, but with an extended maturity date to July 2017, a waiver of the prepayment requirements for proceeds of asset sales and annual excess cash flow, and a reduction of the annual administrative agency fee.
ABL Facility
In December 2013, we entered into a five-year senior secured revolving credit facility that provides for $175 million available to our domestic subsidiaries (the "US ABL Facility") and €60 million available to Chemtura Sales Europe B.V., a Netherlands subsidiary (the “Foreign ABL Facility”, and together with the US ABL Facility, the “2018 ABL Facility”), subject in each case to availability under a borrowing base. The 2018 ABL Facility provides a $125 million letter of credit sub-facility.
The revolving loans under the 2018 ABL Facility will bear interest at a rate per annum which, at our option, can be either: (a) a base rate (which varies depending on the currency in which the loans are borrowed) plus a margin of between 0.50% and 1.00% for loans denominated in U.S. dollars or between 1.50% and 2.00% for loans denominated in other currencies, in each case based on the average excess availability under the 2018 ABL Facility for the preceding quarter; or (b) the current reserve adjusted Eurocurrency Rate (as defined in the agreement) plus a margin of between 1.50% and 2.00% based on the average excess availability under the 2018 ABL Facility for the preceding quarter.
The 2018 ABL Facility Agreement contains certain affirmative and negative covenants (applicable to us, the other borrowing subsidiaries, the guarantors and their respective subsidiaries other than unrestricted subsidiaries), including, without limitation, covenants requiring financial reporting and notices of certain events, and covenants imposing limitations on incurrence of indebtedness and guaranties; 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 restricted 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 four quarter fixed charge coverage ratio of 1.0 to 1.0 at all times during (A) any period from the date when the amount available for borrowings under the 2018 ABL Facility falls below the greater of (i) $25 million and (ii) 10% of the aggregate commitments to the date such available amount has been equal to or greater than the greater of (i) $25 million and (ii) 10% of the aggregate commitments for 30 consecutive days, or (B) any period from the date when the amount available for borrowings under the US ABL Facility falls below the greater of (i) $18 million and (ii) 10% of the aggregate commitments under the US ABL Facility to the date such available amount has been equal to or greater than the greater of (i) $18 million and (ii) 10% of the aggregate commitments under the US ABL Facility for 30 consecutive days.
At September 30, 2016 and December 31, 2015, we had no borrowings under the 2018 ABL Facility. However, at September 30, 2016 and December 31, 2015 we had $12 million and $14 million, respectively, of outstanding letters of credit (primarily related to insurance and environmental obligations and banking credit facilities) which utilizes available capacity under the facility. At September 30, 2016 and December 31, 2015, we had approximately $164 million and $186 million, respectively, of undrawn availability under the 2018 ABL Facility.
Other Facilities
In December 2012, we entered into a CNY 250 million