Chemtura CORP
Form 10-Q
August 06, 2010

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 June 30, 2010
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. ¨ Yes x 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 xNo

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

Class	Number of shares outstanding at June 30, 2010
Common Stock - $.01 par value	242,935,715

CHEMTURA CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
FORM 10-Q
FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2010

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PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

CHEMTURA CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
Consolidated Statements of Operations (Unaudited)
Quarters and Six months ended June 30, 2010 and 2009
(In millions, except per share data)

	Quarters ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net sales	$ 767	$ 629	$ 1,370	$ 1,093
Cost of goods sold	568	475	1,037	839
Selling, general and administrative	71	71	147	139
Depreciation and amortization	45	40	94	81
Research and development	11	8	20	16
Facility closures, severance and related costs	1	-	3	3
Antitrust costs	-	8	-	10
Impairment of long-lived assets	-	37	-	37
Changes in estimates related to expected allowable claims	(49)	-	73	-
Equity income	(2)	-	(2)	-
Operating profit (loss)	122	(10)	(2)	(32)
Interest expense (a)	(117)	(15)	(129)	(35)
Loss on early extinguishment of debt	-	-	(13)	-
Other expense, net	(8)	(21)	(10)	(19)
Reorganization items, net	(26)	(6)	(47)	(46)
Loss from continuing operations before income taxes	(29)	(52)	(201)	(132)
Income tax provision	(11)	(3)	(16)	(10)
Loss from continuing operations	(40)	(55)	(217)	(142)
Earnings (loss) from discontinued operations, net of tax	1	(62)	(1)	(69)
Loss on sale of discontinued operations, net of tax	(9)	-	(9)	-
Net loss	(48)	(117)	(227)	(211)
Less: net earnings attributable to non-controlling interests	(1)	(1)	(1)	(1)
Net loss attributable to Chemtura Corporation	$ (49)	$ (118)	(228)	(212)
Basic and diluted per share information - attributable to Chemtura Corporation:				
Loss from continuing operations, net of tax	$ (0.16)	$ (0.23)	$ (0.90)	$ (0.59)
Loss from discontinued operations, net of tax	-	(0.26)	-	(0.28)
Loss on sale of discontinued operations, net of tax	(0.04)	-	(0.04)	-
Net loss attributable to Chemtura Corporation	$ (0.20)	$ (0.49)	$ (0.94)	$ (0.87)

Weighted average shares outstanding - Basic and Diluted		242.9		242.9		242.9		242.9
Amounts attribuable to Chemtura Corporation common shareholders:								
Loss from continuing operations, net of tax	$	(41)	$	(56)	$	(218)	$	(143)
Earnings (loss) from discontinued operations, net of tax		1		(62)		(1)		(69)
Loss on sale of discontinued operations, net of tax		(9)		-		(9)		-
Net loss attributable to Chemtura Corporation	$	(49)	$	(118)	$	(228)	$	(212)

(a) During the quarter ended June 30, 2010, $108 million of contractual interest expense was recorded relating to interest obligations for the period from March 18, 2009 through June 30, 2010 that are now probable to be paid based on the proposed plan filed during the second quater of 2010. Included in this amount is contractual interest expense of $20 million for the quarter ended June 30, 2009 and $23 million for the six months ended June 30, 2009.

See accompanying notes to Consolidated Financial Statements.

CHEMTURA CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
Consolidated Balance Sheets
June 30, 2010 (Unaudited) and December 31, 2009
(In millions, except per share data)

	June 30, 2010 (unaudited)	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 184	$ 236
Accounts receivable	560	442
Inventories	496	489
Other current assets	258	227
Assets of discontinued operations	-	85
Total current assets	1,498	1,479
NON-CURRENT ASSETS		
Property, plant and equipment	681	750
Goodwill	227	235
Intangible assets, net	435	474
Other assets	176	180
	$ 3,017	$ 3,118
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 302	$ 252
Accounts payable	157	126
Accrued expenses	187	178
Income taxes payable	15	5
Liabilities of discontinued operations	-	37
Total current liabilities	661	598
NON-CURRENT LIABILITIES		
Long-term debt	2	3
Pension and post-retirement health care liabilities	134	151
Other liabilities	180	197
Total liabilities not subject to compromise	977	949
LIABILITIES SUBJECT TO COMPROMISE	2,151	1,997
STOCKHOLDERS' (DEFICIT) EQUITY		
Common stock - $0.01 par value		
Authorized - 500.0 shares		
Issued - 254.4 shares	3	3

Additional paid-in capital	3,039	3,039
Accumulated deficit	(2,710)	(2,482)
Accumulated other comprehensive loss	(287)	(234)
Treasury stock at cost - 11.5 shares	(167)	(167)
Total Chemtura Corporation stockholders' (deficit) equity	(122)	159
Non-controlling interest	11	13
Total stockholders' (deficit) equity	(111)	172
	$ 3,017	$ 3,118

See accompanying notes to Consolidated Financial Statements.

CHEMTURA CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
Condensed Consolidated Statements of Cash Flows (Unaudited)
Six months ended June 30, 2010 and 2009
(In millions)

	Six months ended June 30,	
	2010	2009
Increase (decrease) in cash		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss attributable to Chemtura Corporation	$ (228)	$ (212)
Adjustments to reconcile net loss attributable to Chemtura Corporation to net cash used in operating activities:		
Loss on sale of discontinued operations	9	-
Impairment of long-lived assets	-	97
Loss on early extinguishment of debt	13	-
Depreciation and amortization	94	87
Stock-based compensation expense	-	2
Reorganization items, net	2	23
Changes in estimates related to expected allowable claims	73	-
Contractual post-petition interest expense	108	-
Equity income	(2)	-
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable	(165)	(33)
Impact of accounts receivable facilities	-	(103)
Inventories	(23)	104
Accounts payable	34	19
Pension and post-retirement health care liabilities	(6)	(5)
Liabilities subject to compromise	(2)	(27)
Other	14	(7)
Net cash used in operating activities	(79)	(55)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from divestments	21	3
Payments for acquisitions, net of cash acquired	-	(5)
Capital expenditures	(38)	(16)
Net cash used in investing activities	(17)	(18)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Amended DIP Credit Facility	299	-
(Payments on) proceeds from DIP Credit Facility	(250)	250
Proceeds from (payments on) 2007 Credit Facility, net	17	(65)
Payments on long term borrowings	-	(9)
Payments on short term borrowings, net	-	(1)
Payments for debt issuance and refinancing costs	(16)	(28)
Net cash provided by financing activities	50	147

CASH AND CASH EQUIVALENTS		
Effect of exchange rates on cash and cash equivalents	(6)	2
Change in cash and cash equivalents	(52)	76
Cash and cash equivalents at beginning of period	236	68
Cash and cash equivalents at end of period	$ 184	$ 144

See accompanying notes to Consolidated Financial Statements.

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CHEMTURA CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1) NATURE OF OPERATIONS AND BANKRUPTCY PROCEEDINGS

Nature of Operations

Chemtura Corporation, together with its consolidated subsidiaries (the "Company" or "Chemtura"), is dedicated to delivering innovative, application-focused specialty chemical and consumer product offerings. Chemtura's principal executive offices are located in Philadelphia, Pennsylvania and Middlebury, Connecticut. Chemtura operates in a wide variety of end-use industries, including automotive, transportation, construction, packaging, agriculture, lubricants, plastics for durable and non-durable goods, electronics, and pool and spa chemicals.

Chemtura is 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 its 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.

Liquidity and Bankruptcy Proceedings

The Company entered 2009 with significantly constrained liquidity. The fourth quarter of 2008 saw an unprecedented reduction in orders for the Company's products as the global recession deepened and customers saw or anticipated reductions in demand in the industries they served. The impact was more pronounced on those business segments that served cyclically exposed industries. As a result, the Company's sales and overall financial performance deteriorated resulting in the Company's non-compliance as of December 31, 2008 with the two financial maintenance covenants under its Amended and Restated Credit Agreement, dated as of July 31, 2007 (the "2007 Credit Facility"). On December 30, 2008, the Company obtained a 90-day waiver of compliance with these covenants from the lenders under the 2007 Credit Facility.

The Company's liquidity was further constrained in the fourth quarter of 2008 by changes in the availability under its accounts receivable financing facilities in the United States and Europe. The eligibility criteria and reserve requirements under the Company's prior U.S. accounts receivable facility (the "U.S. Facility") tightened in the fourth quarter of 2008 following a credit rating downgrade, significantly reducing the value of accounts receivable that could be sold under the U.S. Facility compared with the third quarter of 2008. Additionally, the availability and access to the Company's European accounts receivable financing facility (the "European Facility") was restricted in late December 2008 due to the Company's financial performance, which resulted in the Company's inability to sell additional receivables under the European Facility.

The crisis in the credit markets compounded the liquidity challenges faced by the Company. Under normal market conditions, the Company believed it would have been able to refinance its $370 million notes maturing on July 15, 2009 (the "2009 Notes") in the debt capital markets. However, with the deterioration of the credit market in the late summer of 2008 combined with the Company's deteriorating financial performance, the Company did not believe it would be able to refinance the 2009 Notes on commercially reasonable terms, if at all. As a result, the Company sought to refinance the 2009 Notes through the sale of one of its businesses.

On January 23, 2009, a special-purpose subsidiary of the Company entered into a new three-year U.S. accounts receivable financing facility (the "2009 U.S. Facility") that restored most of the liquidity that the Company had available to it under the prior U.S. accounts receivable facility before the fourth quarter of 2008 events described above. However, despite good faith discussions, the Company was unable to agree to terms under which it could resume the sale of accounts receivable under its European Facility during the first quarter of 2009. The balance of accounts receivable previously sold under the facility continued to decline, offsetting much of the benefit to liquidity gained by the new 2009 U.S. Facility. During the second quarter of 2009, with no agreement to restart the European Facility, the remaining balance of the accounts receivable previously sold under the facility were settled and the European Facility was terminated.

January 2009 saw no improvement in customer demand from the depressed levels in December 2008 and some business segments experienced further deterioration. Although February and March of 2009 saw incremental improvement in net sales compared to January 2009, overall business conditions remained difficult as sales declined by 42% in the first quarter of 2009 compared to the first quarter of 2008. As awareness grew of the Company's constrained liquidity and deteriorating financial performance, suppliers began restricting trade credit and, as a result, liquidity dwindled further. Despite moderate cash generation through inventory reductions and restrictions on discretionary expenditures, the Company's trade credit continued to tighten, resulting in unprecedented restrictions on its ability to procure raw materials.

In January and February of 2009, the Company was in the midst of the asset sale process with the objective of closing a transaction prior to the July 15, 2009 maturity of the 2009 Notes. Potential buyers conducted due diligence and worked towards submitting their final offers on several of the Company's businesses. However, with the continuing recession and speculation about the financial condition of the Company, potential buyers became progressively more cautious. Certain potential buyers expressed concern about the Company's ability to perform its obligations under a sale agreement. They increased their due diligence requirements or decided not to proceed with a transaction. In March 2009, the Company concluded that although there were potential buyers of its businesses, a sale was unlikely to be closed in sufficient time to offset the continued deterioration in liquidity or at a value that would provide sufficient liquidity to both operate the business and meet the Company's impending debt maturities.

By March 2009, dwindling liquidity and growing restrictions on available trade credit resulted in production stoppages as raw materials could not be purchased on a timely basis. At the same time, the Company concluded that it was improbable that it could resume sales of accounts receivable under its European Facility or complete the sale of a business in sufficient time to provide the immediate liquidity it needed to operate. Absent such an infusion of liquidity, the Company would likely experience increased production stoppages or sustained limitations on its business operations that ultimately would have a detrimental effect on the value of the Company's business as a whole. Specifically, the inability to maintain and stabilize its business operations would result in depleted inventories, missed supply obligations and damaged customer relationships.

Having carefully explored and exhausted all possibilities to gain near-term access to liquidity, the Company determined that debtor-in-possession financing presented the best available alternative for the Company to meet its immediate and ongoing liquidity needs and preserve the value of the business. As a result, having obtained the commitment of a $400 million senior secured super-priority debtor-in-possession credit facility agreement (the "DIP Credit Facility"), Chemtura and 26 of its subsidiaries organized in the United States (collectively, the "Debtors") filed for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Code") on March 18, 2009 (the "Petition Date") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The Chapter 11 cases are being jointly administered by the Bankruptcy Court. The Company's non-U.S. subsidiaries and certain U.S. subsidiaries were not included in the filing and are not subject to the requirements of the Bankruptcy Code. The Company's U.S. and worldwide operations are expected to continue without interruption during the Chapter 11 reorganization process.

The Debtors own substantially all of the Company's U.S. assets. The Debtors consist of Chemtura and the following subsidiaries:

- A&M Cleaning Products LLC
- Aqua Clear Industries, LLC
- ASEPSIS, Inc.
- ASCK, Inc.
- BioLab, Inc.
- BioLab Company Store, LLC
- Crompton Colors Incorporated
- Crompton Holding Corporation
- Crompton Monochem, Inc.
- GLCC Laurel, LLC
- Great Lakes Chemical Corporation
- Great Lakes Chemical Global, Inc.
- Kem Manufacturing Corporation
- Laurel Industries Holdings, Inc.
- Monochem, Inc.
- Naugatuck Treatment Company
- Recreational Water Products, Inc.

- Biolab Franchise Company, LLC
- BioLab Textile Additives, LLC
- CNK Chemical Realty Corporation
- GT Seed Treatment, Inc.
- HomeCare Labs, Inc
- ISCI, Inc.
- Uniroyal Chemical Company Limited
- Weber City Road LLC
- WRL of Indiana, Inc.

The principal U.S. assets and business operations of the Debtors are owned by Chemtura, BioLab, Inc. and Great Lakes Chemical Corporation.

On April 29, 2009, Raymond E. Dombrowski, Jr. was appointed Chief Restructuring Officer. In connection with this appointment, the Company entered into an agreement with Alvarez & Marsal North America, LLC ("A&M") to compensate A&M for Mr. Dombrowski's services as Chief Restructuring Officer on a monthly basis at a rate of $150 thousand per month and incentive compensation in the amount of $3 million payable upon the earlier of (a) the consummation of a Chapter 11 plan of reorganization or (b) the sale, transfer, or other disposition of all or a substantial portion of the assets or equity of the Company. Mr. Dombrowski is independently compensated pursuant to arrangements with A&M, a financial advisory and consulting firm specializing in corporate restructuring. Mr. Dombrowski will not receive any compensation directly from the Company and will not participate in any of the Company's employee benefit plans.

The Chapter 11 cases were filed to gain liquidity for continuing operations while the Debtors restructure their balance sheets to allow the Company to continue as a viable going concern. While the Company believes it will be able to achieve these objectives through the Chapter 11 reorganization process, there can be no certainty that it will be successful in doing so.

Under Chapter 11 of the Bankruptcy Code, the Debtors are operating their U.S. businesses as a debtor-in-possession ("DIP") under the protection of the Bankruptcy Court from their pre-filing creditors and claimants. Since the filing, all orders of the Bankruptcy Court sufficient to enable the Debtors to conduct normal business activities, including "first day" motions and the interim and final approval of the DIP Credit Facility and amendments thereto, have been entered by the Bankruptcy Court. While the Debtors are subject to Chapter 11, all transactions outside the ordinary course of business will require the prior approval of the Bankruptcy Court.

On March 20, 2009, the Bankruptcy Court approved the Debtors' "first day" motions. Specifically, the Bankruptcy Court granted the Debtors, among other things, interim approval to access $190 million of its $400 million DIP Credit Facility, approval to pay outstanding employee wages, health benefits, and certain other employee obligations and authority to continue to honor their current customer policies and programs, in order to ensure the reorganization process will not adversely impact their customers. On April 29, 2009, the Bankruptcy Court entered a final order providing full access to the $400 million DIP Credit Facility. The Bankruptcy Court also approved Amendment No. 1 to the DIP Credit Facility, which provided for, among other things: (i) an increase in the outstanding amount of inter-company loans the Debtors could make to the non-debtor foreign subsidiaries of the Company from $8 million to $40 million; (ii) a reduction in the required level of borrowing availability under the minimum availability covenant; and (iii) the elimination of the requirement to pay additional interest expense if a specified level of accounts receivable financing was not available to the Company's European subsidiaries.

On July 13, 2009, the Company and the parties to the DIP Credit Facility entered into Amendment No. 2 to the DIP Credit Facility subject to approvals by the Bankruptcy Court and the Company's Board of Directors which approvals were obtained on July 14 and July 15, 2009, respectively. Amendment No. 2 amended the DIP Credit Facility to provide for, among other things, an option by the Company to extend the maturity of the DIP Credit Facility for two consecutive three month periods subject to the satisfaction of certain conditions. Prior to Amendment No. 2, the DIP Credit Facility matured on the earliest of 364 days (from the Petition Date), the effective date of a Plan or the date of termination in whole of the Commitments (as defined in the DIP Credit Facility).

As a consequence of the Chapter 11 cases, substantially all pre-petition litigation and claims against the Debtors have been stayed. Accordingly, no party may take any action to collect pre-petition claims or to pursue litigation arising as a result of pre-petition acts or omissions except pursuant to an order of the Bankruptcy Court.

On August 21, 2009, the Bankruptcy Court established October 30, 2009 as the deadline for the filing of proofs of claim against the Debtors (the "Bar Date"). Under certain limited circumstances, some creditors may be permitted to file proofs of claim after the Bar Date. Accordingly, it is possible that not all potential proofs of claim were filed as of

the filing of this Quarterly Report.

The Debtors have received approximately 15,400 proofs of claim covering a broad array of areas. Approximately 8,000 proofs of claim have been asserted in "unliquidated" amounts or contain an unliquidated component that are treated as being asserted in "unliquidated" amounts. Excluding proofs of claim in "unliquidated" amounts, the aggregate amount of proofs of claim filed totaled approximately $23.7 billion. See Note 21 - Legal Proceedings and Contingencies for a discussion of the proofs of claim filed against the Debtors.

The Company is in the process of completing its evaluation of the amounts asserted in and the factual and legal basis of the proofs of claim filed against the Debtors. Based upon the Company's review and evaluation through July 9, 2010, which review is continuing, a significant number of proofs of claim are duplicative and/or legally or factually without merit. As to those claims, the Company has filed or intends to file objections with the Bankruptcy Court. However, there can be no assurance that certain of these claims will not be allowed in full.

Further, while the Debtors believe they have insurance to cover certain asserted claims, there can be no assurance that material uninsured obligations will not be allowed as claims in the Chapter 11 cases. Because of the substantial number of asserted contested claims, as to which review and analysis is ongoing, there is no assurance as to the ultimate value of claims that will be allowed in these Chapter 11 cases, nor is there any assurance as to the ultimate recoveries for the Debtors' stakeholders, including the Debtors' bondholders and the Company's shareholders. The differences between amounts recorded by the Debtors and proofs of claim filed by the creditors will continue to be investigated and resolved through the claims reconciliation process.

The Company has recognized certain charges related to expected allowed claims. As the Company completes the process of evaluating and resolving the proofs of claim, appropriate adjustments to the Company's Consolidated Financial Statements will be made. Adjustments may also result from actions of the Bankruptcy Court, settlement negotiations, rejection of executory contracts and real property leases, determination as to the value of any collateral securing claims and other events. Any such adjustments could be material to the Company's results of operations and financial position in any given period. For additional information on liabilities subject to compromise, see Note 4 - Liabilities Subject to Compromise and Reorganization Items, Net.

On January 15, 2010 the Company entered into Amendment No. 3 of the DIP Credit Facility that provided for, among other things, the consent of the Company's DIP lenders to the sale of the polyvinyl chloride ("PVC") additives business.

On February 9, 2010, the Bankruptcy Court granted interim approval of an Amended and Restated Senior Secured Super-Priority Debtor-in-Possession Credit Agreement (the "Amended DIP Credit Facility") by and among the Debtors, Citibank N.A. and the other lenders party thereto. The Amended DIP Credit Facility provides for a first priority and priming secured revolving and term loan credit commitment of up to an aggregate of $450 million. The proceeds of the loans and other financial accommodations incurred under the Amended DIP Credit Facility were used, among other things, to refinance the obligations outstanding under the DIP Credit Facility and provide working capital for general corporate purposes. The Amended DIP Credit Facility provided interest rate reductions and the avoidance of the extension fees that would have been payable under the DIP Credit Facility in February and May 2010. The Amended DIP Credit Facility closed on February 12, 2010 with the drawing of a $300 million term loan. On February 18, 2010, the Bankruptcy Court granted final approval providing full access to the Amended DIP Credit Facility. The Amended DIP Credit Facility matures on the earliest of 364 days after the closing, the effective date of a plan or reorganization or the date of termination in whole of the Commitments (as defined in the Amended DIP Credit Facility).

On July 27, 2010, the Company entered into Amendment No. 1 of the Amended DIP Credit Facility that provided for, among other things, the consent of the Company's DIP lenders to (a) file a voluntary Chapter 11 petition for Chemtura Canada Co./Cie ("Chemtura Canada") without resulting in a default of the Amended DIP Credit Facility and without requiring that Chemtura Canada be added as a guarantor under the Amended DIP Credit Facility; (b) make certain intercompany advances to Chemtura Canada and allow Chemtura Canada to pay intercompany obligations to Crompton Financial Holdings, (c) sell the Company's natural sodium sulfonates and oxidized petrolatums business, (d) settle claims against BioLab, Inc. and Great Lakes Chemical Company relating to a fire that occurred at BioLab, Inc.'s warehouse in Conyers, Georgia and (e) settle claims arising under the asset purchase agreement between Chemtura Corporation and PMC Biogenix, Inc. pursuant to which the Company sold its oleochemicals business and certain related assets to PMC Biogenix, Inc.

As provided by the Bankruptcy Code, the Debtors have the exclusive right to file and solicit acceptance of a plan of reorganization for 120 days after the Petition Date with the possibility of extensions thereafter. On June 17, 2010, the Bankruptcy Court granted the Company's application for extensions of the date until which it has the exclusive right to file a plan of reorganization from February 11, 2010 until September 18, 2010. The Bankruptcy Court had previously granted the Company's applications for extensions of the exclusivity period on July 28, 2009, October 27, 2009 and

February 23, 2010. During this exclusivity period, competing plans of reorganization may not be filed by third parties. The Bankruptcy Court has the authority to terminate this exclusivity period prior to September 18, 2010, and we can make no assurance that the Bankruptcy Court will not do so.

On June 17, 2010, the Debtors filed a proposed joint plan of reorganization and related disclosure statement with the Bankruptcy Court and on July 9, 2010, July 20, 2010 and August 5, 2010, the Debtors filed revised versions of the plan of reorganization (the "Plan") and Disclosure Statement (the "Disclosure Statement") with the Bankruptcy Court. The Plan organizes claims against the Debtors into classes according to their relative priority and certain other criteria. For each class, the Plan describes (a) the underlying claim or interest, (b) the recovery available to the holders of claims or interests in that class under the Plan, (c) whether the class is "impaired" under the Plan, meaning that each holder will 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 will receive on account of their respective claims or interests. Distributions to creditors under the Plan generally will include a combination of common shares in the capital of the reorganized Company authorized pursuant to the Plan ("New Common Stock"), cash, reinstatement or such other treatment as agreed between the Debtors and the applicable creditor. Certain creditors will be 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. Distributions, if any, under the Plan to holders of interests in the Company will include shares of New Common Stock and, potentially, cash, based on whether holders of interests in the Company vote to accept or reject the Plan. The Plan provides that if holders of interests in the Company vote as a class to accept the Plan, they will receive their pro rata share (determined with respect to all holders of interests in the Company) of 5% of New Common Stock, plus the right to participate in a rights offering for New Common Stock with a value of up to $100 million, if fully subscribed, at a price consistent with the total enterprise value of the reorganized Debtors under the Plan. If, however, holders of interests in the Company vote as a class to reject the Plan, they will receive their pro rata share of value available for distribution, if any, after all allowed claims have been paid in full and disputed claims reserves as well as certain other reserves have been established in accordance with the terms of the Plan. All New Common Stock distributed under the Plan to holders of claims and, if applicable, interests, including New Common Stock distributed in connection with the rights offering, shall be subject to dilution by certain Company incentive plans. The Plan is subject to approval by the Bankruptcy Court in accordance with the Bankruptcy Code as well as various other conditions and contingencies, some of which are not within the control of the Company. The Company cannot provide any assurance that any plan of reorganization ultimately confirmed by the Bankruptcy Court will be consistent with the terms of the Plan. Although the Plan provides for the Company's emergence from bankruptcy as a going concern, there can be no assurance that the Plan, or any other plan of reorganization, will be confirmed by the Bankruptcy Court or that any such plan will be implemented successfully.

In addition to the 27 current Debtors, the Plan contemplates that Chemtura's indirectly owned subsidiary, Chemtura Canada, may file a voluntary petition for relief under Chapter 11 of the Bankruptcy Code and commence ancillary recognition proceedings under Part IV of the Companies' Creditors Arrangement Act (the "CCAA") in the Ontario Superior Court of Justice, located in Ontario, Canada (the "Canadian Court" and such proceedings, the "Canadian Case"). It is expected that Chemtura Canada will file the voluntary petition for relief and commence the Canadian Case in August 2010. The Debtors will, at that time, ask the Bankruptcy Court to enter an order jointly administering Chemtura Canada's Chapter 11 case with the current 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. Chemtura Canada intends to seek an order of the Canadian Court recognizing the Chapter 11 cases as "foreign proceedings" under the CCAA.

The contemplated filing of Chemtura Canada under the CCAA is designed only to address the claims resulting, directly or indirectly, from alleged injury from exposure to diacetyl, acetoin and/or acetaldehyde, including all claims for indemnification or contribution relating to alleged injury from exposure to diacetyl, acetoin and/or acetaldehyde (the "Diacetyl Claims"). As provided for in the Plan and as described in the Disclosure Statement, all holders of claims against and interests in Chemtura Canada other than holders of Diacetyl Claims will be left "unimpaired" or otherwise unaffected by Chemtura Canada's reorganization proceedings. The Company expects that Chemtura Canada will

emerge from Chapter 11 contemporaneously with the other Debtors. There can be no assurance that the Plan, or any other plan of reorganization, will be confirmed by the Bankruptcy Court or recognized by the Canadian Court or that any such plan will be implemented successfully.

On June 17, 2010, contemporaneously with the filing of the Plan, the Debtors filed a motion seeking authority to enter into a Plan Support Agreement (the “PSA”) with their official committee of unsecured creditors (the “Creditors' Committee”), certain members of the ad hoc bondholders' committee (the “Ad Hoc Bondholders’ Committee”) and certain other debt holders, which provides for such parties to support and vote in favor of the Plan as long as their votes have been solicited in accordance with the requirements of the Bankruptcy Code. The PSA also contemplates that the Debtors will use reasonable best efforts to obtain Bankruptcy Court approval of the Disclosure Statement and confirmation of the Plan, a global settlement among the parties, and payment of the reasonable and documented and necessary out-of-pocket fees and expenses incurred by the Ad Hoc Bondholders' Committee of up to $7 million. The Equity Committee has objected to the motion, maintaining, among other things, that the PSA is an impermissible plan solicitation prior to approval of the Disclosure Statement, that payment of the Ad Hoc Bondholders' Committee's fees and expenses prematurely puts the issue of substantial contribution before the Bankruptcy Court, that the PSA pays creditors as part of the global settlement while decreasing equity's recoveries, and that the PSA marginalizes equity by shutting it out of the plan process. Before the hearing on the PSA motion, the Creditors’ Committee and the Ad Hoc Committee entered into two amendments to the PSA. The Bankruptcy Court approved the Debtors’ entry into the amended PSA on August 4, 2010, and entry of an order of approval is pending.

On July 9, 2010, the Equity Committee also filed a motion to terminate the exclusivity period, during which only the Debtors may file a Chapter 11 plan of reorganization and solicit acceptances. On July 21, 2010, the Bankruptcy Court ruled against the July 9, 2010 Equity Committee motion to terminate the exclusivity period, allowing the Debtors until November 17, 2010 to solicit acceptance of the Debtors Plan. In addition, on August 5, 2010, the Bankruptcy Court entered orders approving the adequacy of the Disclosure Statement and approving the procedures for Debtors to solicit and tabulate the votes on the Plan. The Plan will become effective only if it receives the requisite approval by creditors, is confirmed by the Bankruptcy Court and the conditions to its effectiveness as determined at confirmation have been met including the execution of exit financing. The Plan confirmation hearing is currently scheduled to begin on September 16, 2010. There can be no assurance that the Bankruptcy Court will confirm the Plan or that it will be implemented successfully.

On July 30, 2010, the Company filed a motion with the Bankruptcy Court to approve the Company’s entering into certain exit financing documentation and a second amendment to the Amended DIP Credit Facility (the “Second Amendment”). The exit financing documentation includes (i) the form of a commitment letter to be entered into with each of Bank of America, N.A., Banc of America Securities LLC, Wells Fargo Capital Finance, LLC, Citigroup Global Markets Inc., Barclays Bank PLC, Barclays Capital, Goldman Sachs Lending Partners LLC and certain affiliates thereof (the “ABL Commitment Parties”), pursuant to which the ABL Commitment Parties would agree to provide the Company, subject to the satisfaction of certain conditions, with a senior secured asset based revolving credit facility in the committed amount of $275 million, (ii) a form of purchase agreement to be entered into with Citigroup Global Markets Inc., Banc of America Securities LLC, Wells Fargo Securities, LLC, Barclays Capital and Goldman Sachs Lending Partners LLC (the “Initial Purchasers”), pursuant to which the Initial Purchasers would place up to $750 million in aggregate principal amount of senior notes (less the principal amount of the senior secured term loans described below), and (iii) an engagement letter to be entered into with Banc of America Securities LLC, Citigroup Global Markets Inc., Wells Fargo Securities, LLC, Barclays Capital, Goldman Sachs Lending Partners LLC and certain affiliates thereof (the “Term Loan Engagement Parties”) pursuant to which the Term Loan Engagement Parties would be engaged to use commercially reasonable efforts to arrange for up to $750 million in aggregate principal amount of senior secured term loans (less the principal amount of the senior notes). The proceeds of the exit financings, if obtained, would be used by the Company, on the effective date of the Plan and thereafter, to refinance the Amended DIP Credit Facility, to pay certain other creditors and fund distributions to be made in accordance with the Plan, to pay administration and priority claims, to make contributions to the Company’s United States pension fund, to pay transaction costs, fees and expenses related to the exit financings, to pay fees for professional services and for other general corporate purposes and activities. The Company is seeking the approval of the Bankruptcy Court to enter into the exit financing documentation, pay fees and expenses and fund the senior notes and/or the senior secured

term loans into escrow, prior to confirmation of the Plan, so as to take advantage of current favorable market conditions and lock in commitments for exit financing as soon as possible, thereby recognizing significant savings and ensuring certainty despite the volatile and unpredictable nature of the financial markets, and a hearing on this matter has been scheduled for August 9, 2010. The net proceeds of the senior notes and the senior secured term loans, once funded, will be held in escrow (together with amounts the Company will be required to deposit in the escrow sufficient to redeem all senior notes and senior secured term loans in cash, together with accrued interest and certain other amounts owing with respect thereto) until certain conditions, including but not limited to the confirmation and effectiveness of the Plan, are satisfied. During the escrow period, the senior notes and the senior secured term loans will be secured by a pledge of the proceeds thereof which, whether or not in escrow, will not constitute property of the Debtors' estates. The Debtors, conversely, will have no obligations under the senior notes and the senior secured term loans other than the fees, expenses, reimbursements, interest and indemnity obligations approved by the Bankruptcy Court. If the conditions for release of the proceeds from escrow are satisfied, the proceeds will be released to the reorganized Company after confirmation, and in connection with consummation of the Plan. In the event that the conditions for the release of the proceeds from escrow are not satisfied, the Company will be required to redeem the senior notes and the senior secured term loans from the amounts in escrow.

The Second Amendment permits the Debtors to enter into the exit financing documentation (and consummate the transactions contemplated therein), including paying related fees and expenses and funding the senior notes and the senior secured term loans into escrow before confirmation of the Plan. In addition, the Second Amendment permits the Debtors, to the extent it is determined to be necessary under the circumstances, to create a wholly-owned, special purpose subsidiary of the Company for the purpose of issuing debt in respect of senior notes and/or senior secured term loans.

Continuation of the Company as a going concern is contingent upon, among other things, the Company’s and/or Debtors’ ability (i) to comply with the terms and conditions of the Amended DIP Credit Facility; (ii) to obtain confirmation of a plan of reorganization under the Bankruptcy Code; (iii) to return to profitability; (iv) to generate sufficient cash flow from operations; and (v) to obtain financing sources to meet the Company's future obligations. The Consolidated Financial Statements do not reflect any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of these uncertainties. Additionally, a plan of reorganization could materially change amounts reported in the Consolidated Financial Statements, which do not give effect to all adjustments of the carrying value of assets and liabilities that may be necessary as a consequence of completing reorganization under Chapter 11 of the Bankruptcy Code.

In addition, as part of the Company’s emergence from Chapter 11, the Company may be required to adopt fresh start accounting in a future period. If fresh start accounting is applicable, the Company’s assets and liabilities will be recorded at fair value as of the fresh start reporting date. The fair value of the Company’s assets and liabilities as of such fresh start reporting date may differ materially from the recorded values of assets and liabilities on the Company’s Consolidated Balance Sheets. Further, if fresh start accounting is required, the financial results of the Company after the application of fresh start accounting may not be comparable to historical trends.

2) BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of Presentation

The information in the foregoing Consolidated Financial Statements for the quarters and six months ended June 30, 2010 and 2009 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 the Consolidated Financial Statements.

The Consolidated Financial Statements include the accounts of Chemtura and the wholly-owned and majority-owned subsidiaries that it controls. Other affiliates in which the Company has 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 the Company has less than 20% ownership are recorded at cost. All significant intercompany balances and transactions have been eliminated in consolidation.

The Consolidated Financial Statements have been prepared in accordance with Accounting Standards Codification (“ASC”) Section 852-10-45, Reorganizations - Other Presentation Matters (“ASC 852-10-45”). ASC 852-10-45 does not ordinarily affect or change the application of U.S. generally accepted accounting principles (“GAAP”). However, it does require the Company to distinguish transactions and events that are directly associated with the reorganization in connection with the Chapter 11 cases from the ongoing operations of the business. Expenses incurred and settlement impacts due to the Chapter 11 cases are reported separately as reorganization items, net on the Consolidated Statements of Operations for the quarters and six months ended June 30, 2010 and 2009. Interest expense related to pre-petition indebtedness has been reported only to the extent that it will be paid during the pendency of the Chapter 11 cases or is permitted by Bankruptcy Court approval or is expected to be an allowed claim. The pre-petition

liabilities subject to compromise are disclosed separately on the June 30, 2010 and December 31, 2009 Consolidated Balance Sheets. These liabilities are reported at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for a lesser amount. These expected allowed claims require management to estimate the likely claim amount that will be allowed by the Bankruptcy Court prior to its ruling on the individual claims. These estimates are based on, among other things, reviews of claimants' supporting material, obligations to mitigate such claims, and assessments by management. The Company expects that its estimates, although based on the best available information, will change as the claims are resolved by the Bankruptcy Court.

The Consolidated Financial Statements have been prepared in conformity with GAAP, which require the Company 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 reclassifications have been made to the prior period financial information to conform to the current period presentation. The interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes included in the Company's Annual Report on Form 10-K for the period ended December 31, 2009, as amended. The consolidated results of operations for the quarter and six months ended June 30, 2010 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 the Company's Consolidated Balance Sheets at both June 30, 2010 and December 31, 2009 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 accounts receivable are allowances for doubtful accounts of $29 million and $32 million, as of June 30, 2010 and December 31, 2009, respectively.

During the six months ended June 30, 2010 and 2009, the Company made interest payments of approximately $14 million and $27 million, respectively. During the six months ended June 30, 2010 and 2009, the Company made payments for income taxes (net of refunds) of $2 million and $18 million, respectively.

Accounting Developments

In June 2009, the FASB issued guidance now codified as ASC Topic 810, Consolidation ("ASC 810"), which amends certain guidance for determining whether an entity is a variable interest entity ("VIE"). ASC 810 requires an enterprise to perform an analysis to determine whether the Company's variable interests give it a controlling financial interest in a VIE. A company would be required to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has the power to direct the activities of the VIE that most significantly impact the entity's economic performance. In addition, ASC 810 requires ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE. The standard is effective for financial statements for interim or annual reporting periods that begin after November 15, 2009. Earlier application is prohibited. The Company has adopted the provisions of ASC 810 effective as of January 1, 2010 and its adoption did not have a material impact on its results of operations, financial condition or its disclosures.

3) DEBTOR CONDENSED COMBINED FINANCIAL STATEMENTS

Condensed Combined Financial Statements for the Debtors as of June 30, 2010 and December 31, 2009 and for the quarters and six months ended June 30, 2010 and 2009 are presented below. These Condensed Combined Financial Statements include investments in subsidiaries carried under the equity method.

Chemtura Corporation and Subsidiaries in Reorganization
Condensed Combined Statements of Operations
(Debtor-in-Possession)
(In millions)

	Quarters ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net sales	$ 628	$ 489	$ 1,116	$ 849
Cost of goods sold	509	398	924	718
Selling, general and administrative	38	44	85	88
Depreciation and amortization	33	26	69	52
Research and development	6	5	11	10
Antitrust costs	-	7	-	9
Changes in estimates related to expected allowable claims	(49)	-	73	-
Operating profit (loss)	91	9	(46)	(28)
Interest expense	(118)	(16)	(132)	(40)
Loss on early extinguishment of debt	-	-	(13)	-
Other income (expense), net	7	(15)	17	(15)
Reorganization items, net	(26)	(6)	(47)	(46)
Equity in net earnings (loss) of subsidiaries	4	(40)	3	(28)
Loss before income taxes	(42)	(68)	(218)	(157)
Income tax (provision) benefit	(1)	3	(3)	2
Loss from continuing operations	(43)	(65)	(221)	(155)
Earnings (loss) from discontinued operations, net of tax	3	(53)	2	(57)
Loss on sale of discontinued operations, net of tax	(9)	-	(9)	-
Net loss attributable to Chemtura Corporation	$ (49)	$ (118)	$ (228)	$ (212)

Chemtura Corporation and Subsidiaries in Reorganization
Condensed Combined Balance Sheet
(Debtor-in-Possession)
(In millions)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets	$ 745	$ 706
Intercompany receivables	497	538
Investment in subsidiaries	1,830	1,942
Property, plant and equipment	390	422
Goodwill	149	149
Other assets	391	397
Total assets	$ 4,002	$ 4,154
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities	$ 470	$ 400
Intercompany payables	40	65
Other long-term liabilities	74	73
Total liabilities not subject to compromise	584	538
Liabilities subject to compromise (a)	3,529	3,444
Total stockholders' (deficit) equity	(111)	172
Total liabilities and stockholders' (deficit) equity	$ 4,002	$ 4,154

(a) Includes inter-company payables of $1,378 million as of June 30, 2010 and $1,447 million as of December 31, 2009.

Chemtura Corporation and Subsidiaries in Reorganization
Condensed Combined Statement of Cash Flows
(Debtor-in-Possession)
(In millions)

	Six months ended June 30, 2010	2009
Increase (decrease) to cash		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (228)	$ (212)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on sale of discontinued operations	9	-
Impairment of long-lived assets	-	49
Loss on early extinguishment of debt	13	-
Depreciation and amortization	69	57
Stock-based compensation expense	-	2
Reorganization items, net	2	23
Changes in estimates related to expected allowable claims	73	-
Contractual post-petition interest expense	108	-
Changes in assets and liabilities, net	(116)	(37)
Net cash used in operating activities	(70)	(118)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from divestments	21	3
Payments for acquisitions, net of cash acquired	-	(5)
Capital expenditures	(25)	(12)
Net cash used in investing activities	(4)	(14)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Amended DIP Credit Facility	299	-
(Payments on) proceeds from DIP Credit Facility	(250)	250
Proceeds from (payments on) 2007 Credit Facility, net	17	(65)
Payments on long term borrowings	-	(9)
Payments for debt issuance and refinancing costs	(16)	(28)
Net cash provided by financing activities	50	148
CASH AND CASH EQUIVALENTS		
Change in cash and cash equivalents	(24)	16
Cash and cash equivalents at beginning of period	81	23
Cash and cash equivalents at end of period	$ 57	$ 39

4) LIABILITIES SUBJECT TO COMPROMISE AND REORGANIZATION ITEMS, NET

As a consequence of the Chapter 11 cases, substantially all claims and litigations against the Debtors in existence prior to the filing of the petitions for relief or relating to acts or omissions prior to the filing of the petitions for relief are stayed. These estimated claims are reflected in the Consolidated Balance Sheet as liabilities subject to compromise as of June 30, 2010 and December 31, 2009. These amounts represent the Company's estimate of known or potential pre-petition liabilities that are probable of resulting in an allowed claim against the Debtors in connection with the

Chapter 11 cases and are recorded at the estimated amount of the allowed claim which may be different from the amount for which the liability will be settled. Such claims remain subject to future adjustments. Adjustments may result from actions of the Bankruptcy Court, negotiations, rejection or acceptance of executory contracts and real property leases, determination as to the value of any collateral securing claims, proofs of claim or other events.

The Bankruptcy Court established October 30, 2009 as the Bar Date for filing proofs of claim against the Debtors. The Debtors have received approximately 15,400 proofs of claim covering a broad array of areas. The Company is in the process of completing its evaluation of the amounts asserted in and the factual and legal basis of the proofs of claim filed against the Debtors. These proofs of claim may result in additional liabilities, some or all of which may be subject to compromise, and the amounts of which may be material. See Note - 21 Legal Proceedings and Contingencies for further discussion of the Company's Chapter 11 claims assessment process.

The amounts of liabilities subject to compromise consist of the following:

(In millions)	As of June 30, 2010	As of December 31, 2009
6.875% Notes due 2016 (a)	$ 500	$ 500
7% Notes due July 2009 (a)	370	370
6.875% Debentures due 2026 (a)	150	150
2007 Credit Facility (a)	169	152
Other borrowings	2	3
Total debt subject to compromise	1,191	1,175
Pension and post-retirement health care liabilities	378	405
Accounts payable	123	130
Environmental reserves	84	42
Litigation reserves	149	125
Unrecognized tax benefits and other taxes	79	79
Accrued interest expense (d)	115	7
Other miscellaneous liabilities	32	34
Total liabilities subject to compromise	$ 2,151	$ 1,997

Reorganization items are presented separately in the Consolidated Statements of Operations on a net basis and represent items realized or incurred by the Company as a direct result of the Chapter 11 cases.

The reorganization items, net recorded in the Consolidated Statements of Operations consist of the following:

(In millions)	Quarters ended June 30, 2010	Quarters ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Professional fees	$ 24	$ 18	$ 42	$ 23
Write-off debt discounts and premiums (a)	-	-	-	24
Write-off debt issuance costs (a)	-	-	-	7
Write-off deferred charges related to termination of U.S. accounts receivable facility	-	-	-	4
Rejections or terminations of contracts (b)	-	-	2	-
Severance - closure of manufacturing plants and warehouses (b)	-	-	1	-
Claim settlements (c)	2	(12)	2	(12)
Total reorganization items, net	$ 26	$ 6	$ 47	$ 46

(a) The carrying value of pre-petition debt has been adjusted to its respective face value as this represents the expected allowable claim in the Chapter 11 cases. As a result, unamortized debt issuance costs, discounts and

premiums were charged to reorganization items, net on the Consolidated Statements of Operations.

(b) Represents charges for cost savings initiatives for which Bankruptcy Court approval has been obtained. For additional information see Note 20 – Restructuring Activities.

(c) Represents the difference between the settlement amount of certain pre-petition obligations and the corresponding carrying value of the recorded liabilities.

(d) As a result of the estimated claim recoveries reflected in the Plan filed during the second quarter of 2010, the Company determined that it was probable that obligations for interest on unsecured claims would ultimately be paid. As such, interest that had not previously been recorded since the Petition Date was recorded in the second quarter of 2010. The amount of post-petition interest recorded during the quarter ended June 30, 2010 was $108 million which represents the cumulative amount of interest accruing from the Petition Date through June 30, 2010.

5) COMPREHENSIVE (LOSS) INCOME

An analysis of the Company's comprehensive loss follows:

(In millions)	Quarters ended June 30, 2010	Quarters ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Net loss	$ (48)	$ (117)	$ (227)	$ (211)
Other comprehensive income (loss), (net of tax):				
Foreign currency translation adjustments	(59)	93	(83)	38
Unrecognized pension and other post-retirement benefit costs	4	5	30	4
Comprehensive loss	(103)	(19)	(280)	(169)
Comprehensive income attributable to the non-controlling interest	-	-	(1)	1
Comprehensive loss attributable to Chemtura Corporation	$ (103)	$ (19)	$ (281)	$ (168)

The components of accumulated other comprehensive loss, net of tax at June 30, 2010 and December 31, 2009, are as follows:

(In millions)	June 30, 2010	December 31, 2009
Foreign currency translation adjustment	$ 31	$ 114
Unrecognized pension and other post-retirement benefit costs	(318)	(348)
Accumulated other comprehensive loss	$ (287)	$ (234)

Reclassifications from other comprehensive loss to earnings related to the Company's natural gas price swap contracts aggregated to a pre-tax loss of less than $1 million for the quarter ended June 30, 2009 and a $1 million pre-tax loss during the six months ended June 30, 2009. All price swap contracts have matured as of December 31, 2009.

6) DIVESTITURES

PVC Additives Business

On April 30, 2010, the Company completed the sale of its PVC additives business to Galata Chemicals LLC (formerly known as Artek Aterian Holding Company, LLC) and its sponsors, Aterian Investment Partners Distressed Opportunities, LP and Artek Surfin Chemicals Ltd. (collectively, "Galata") for net proceeds of $38 million which includes a working capital adjustment that is subject to finalization. The net assets sold consisted of accounts receivable of $47 million, inventory of $42 million, other current assets of $6 million, other assets of $1 million, pension and other post-retirement health care liabilities of $26 million, accrued expenses of $5 million and accounts payable of $3 million. A pre-tax loss of approximately $8 million was recorded on the sale after the elimination of $16 million of accumulated other comprehensive income resulting from the liquidation of a foreign subsidiary as part of the transaction.

The PVC additives business, which was formerly a reporting unit within the Industrial Engineered Products segment, is reported as a discontinued operation in the accompanying Consolidated Financial Statements as the Company will not have significant continuing cash flows or continuing involvement in the operations of the disposed business. The results of operations for this business have been removed from the results of continuing operations for all periods

presented. The assets and liabilities of discontinued operations have been reclassified and are segregated in the Consolidated Balance Sheets. The assets of discontinued operations as of December 31, 2009 included accounts receivable of $29 million, inventory of $51 million, other current assets of $3 million and other assets of $2 million. The liabilities of discontinued operations as of December 31, 2009 included accounts payable of $2 million, accrued expenses of $6 million, pension and post-retirement health care liabilities of $28 million and other liabilities of $1 million.

As discussed in Note 9 – Asset Impairments, the PVC additives business recorded an impairment charge of $60 million during the quarter ended June 30, 2009. Loss from discontinued operations for all periods presented consists of the following:

	Quarters ended June 30,		Six months ended June 30,	
(In millions)	2010	2009	2010	2009
Net sales	$ 29	$ 58	$ 96	$ 111
Pre-tax earnings (loss) from discontinued operations	$ 1	$ (65)	$ (1)	$ (73)
Income tax benefit	-	3	-	4
Earnings (loss) from discountinued operations	$ 1	$ (62)	$ (1)	$ (69)

Sulfonate Businesses

On June 29, 2010, the Company entered into a definitive agreement with Sonneborn Holding, LLC to sell the Company's natural sodium sulfonates and oxidized petrolatum businesses. The sale will include certain assets, the Company's 50% interest in a European joint venture, the assumption of certain liabilities and the mutual release of obligations between the parties. The sale agreement was approved by the Bankruptcy Court on July 23, 2010, and consented to by the Amended DIP Credit Facility lenders as part of amendment No. 1 to the Amended DIP Credit Facility. The transaction closed on July 30, 2010.

7) SALE OF ACCOUNTS RECEIVABLE

On January 23, 2009, the Company entered into the 2009 U.S. Facility with up to $150 million of capacity and a three-year term with certain lenders under its 2007 Credit Facility. Lenders who participated reduced their commitments to the 2007 Credit Facility pro-rata to their commitments to purchase U.S. eligible accounts receivable under the 2009 U.S. Facility.

Under the 2009 U.S. Facility, certain subsidiaries of the Company sold their accounts receivable to a special purpose entity ("SPE") that was created for the purpose of acquiring such receivables and selling an undivided interest therein to certain purchasers. In accordance with the receivables purchase agreements, the purchasers were granted an undivided ownership interest in the accounts receivable owned by the SPE. The amount of such undivided ownership interest will vary based on the level of eligible accounts receivable as defined in the agreement. In addition, the purchasers retained a security interest in all the receivables owned by the SPE.

The 2009 U.S. Facility was terminated on March 23, 2009 as a condition of the Debtors entering into the DIP Credit Facility. All accounts receivable was sold back by the purchasers and the SPE to their original selling entity using proceeds of $117 million from the DIP Credit Facility.

Certain of the Company's European subsidiaries maintained a separate European Facility to sell up to approximately $244 million (€175 million) of the eligible accounts receivable directly to a purchaser. This facility terminated during the second quarter of 2009 and there were no outstanding accounts receivable that had been sold as of June 30, 2009. The availability and access to the European Facility was restricted by the purchaser in late December 2008 in light of the Company's financial performance. As a result, the Company was unable to sell additional accounts receivable under this program during the first and second quarters of 2009. Despite good faith discussions, the Company was unable to conclude an agreement to resume sales of accounts receivable under the European Facility either prior to the Chapter 11 filing or thereafter. During the second quarter of 2009, with no agreement to restart the European Facility, the remaining balance of the accounts receivable previously sold under this facility was settled and the facility was terminated.

The costs associated with these facilities of $2 million for the six months ended June 30, 2009 are included in other expense, net in the Consolidated Statements of Operations.

Following the termination of the 2009 U.S. Facility, deferred financing costs of approximately $4 million related to this facility were charged to reorganization items, net in the Consolidated Statements of Operations during the first quarter of 2009.

8) INVENTORIES

Components of inventories are as follows:

(In millions)	June 30, 2010	December 31, 2009
Finished goods	$ 302	$ 319
Work in process	39	41
Raw materials and supplies	155	129
	$ 496	$ 489

Included in the above net inventory balances are inventory obsolescence reserves of approximately $29 million and $32 million at June 30, 2010 and December 31, 2009, respectively.

9) ASSET IMPAIRMENTS

In the second quarter of 2009, the Company experienced continued year-over-year revenue reductions from the impact of the global recession in the electronic, building and construction industries. In addition, the Consumer Performance Products segment revenues were impacted by cooler and wetter than normal weather in the northeastern and mid-western regions of the United States. Based on these factors, the Company reviewed the recoverability of the long-lived assets of its segments in accordance with ASC Topic 360, Property, Plant, and Equipment ("ASC 360"). The Company evaluates the recoverability of the carrying value of its long-lived assets, excluding goodwill, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company realizes that events and changes in circumstances can be more frequent in the course of a U.S. bankruptcy process. Under such circumstances, the Company assesses whether the projected undiscounted cash flows of its businesses are sufficient to recover the existing unamortized carrying value of its long-lived assets. If the undiscounted projected cash flows are not sufficient, the Company calculates the impairment amount by several methodologies, including discounting the projected cash flows using its weighted average cost of capital and valuation estimates from third parties. The amount of the impairment is written-off against earnings in the period in which the impairment has been determined in accordance with ASC 360.

For PVC additives, which is reported as a discontinued operation, the carrying value of the long-lived assets were in excess of the undiscounted cash flows. As a result, the Company recorded a pretax impairment charge of $60 million to write-down the value of property, plant and equipment, net by $48 million and intangible assets, net by $12 million as of June 30, 2009. The $60 million charge is included within loss from discontinued operations, net of tax in the Consolidated Statements of Operations.

Due to the factors cited above, the Company also concluded it was appropriate to perform a goodwill impairment review as of June 30, 2009. The Company used the updated projections in their long-range plan to compute estimated fair values of its reporting units. These projections indicated that the estimated fair value of the Consumer Performance Products reporting unit was less than its carrying value. Based on the Company's preliminary analysis, an estimated goodwill impairment charge of $37 million was recorded for this reporting unit in the second quarter of 2009 (representing the remaining goodwill in this reporting unit). Due to the complexity of the analysis which involves completion of fair value analyses and the resolution of certain significant assumptions, the Company finalized this goodwill impairment charge in the third quarter of 2009 and no change to the estimated charge was required. Refer to Note 11 "Goodwill and Intangible Assets" for further information.

The impact of these two impairments totaled $97 million in the second quarter of 2009.

10) PROPERTY, PLANT AND EQUIPMENT

(In millions)	June 30, 2010	December 31, 2009
Land and improvements	$ 76	$ 80
Buildings and improvements	228	236
Machinery and equipment	1,110	1,156
Information systems equipment	214	218
Furniture, fixtures and other	28	30
Construction in progress	65	54
	1,721	1,774
Less accumulated depreciation	1,040	1,024
	$ 681	$ 750

Depreciation expense from continuing operations was $36 million and $31 million for the quarters ended June 30, 2010 and 2009, respectively and $76 million and $63 million for the six months ended June 30, 2010 and 2009, respectively. Depreciation expense from continuing operations includes accelerated depreciation of certain fixed assets associated with the Company's restructuring programs and divestment activities of $10 million for the quarter ended June 30, 2010 and $21 million and $2 million for the six months ended June 30, 2010 and 2009, respectively.

11) GOODWILL AND INTANGIBLE ASSETS

Goodwill by reportable segment is as follows:

(In millions)	Industrial Performance Products	AgroSolutions Engineered Products	Total
Goodwill at December 31, 2009	$ 268	57	$ 325
Accumulated impairments at December 31, 2009	(90)	-	(90)
Net Goodwill at December 31, 2009	178	57	235
Impact of foreign currency translation	(7)	(1)	(8)
Goodwill at June 30, 2010	261	56	317
Accumulated impairments at June 30, 2010	(90)	-	(90)
Net Goodwill at June 30, 2010	$ 171	56	$ 227

The Company has elected to perform its annual goodwill impairment procedures for all of its 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. The Company estimates the fair value of its 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 18 – 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.

The Company continually monitors and evaluates business and competitive conditions that affect its operations and reflects the impact of these factors in its 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 the quarter ended March 31, 2009, there was continued weakness in the global financial markets, resulting in additional decreases in the valuation of public companies and restricted availability of capital. Additionally, the Company's stock price continued to decrease due to constrained liquidity, deteriorating financial performance and the Debtors filing of a petition for relief under Chapter 11 of the Bankruptcy Code. These events were of sufficient magnitude to the Company to conclude it was appropriate to perform a goodwill impairment review as of March 31, 2009. The Company used its own estimates of the effects of the macroeconomic changes on the markets it serves to develop an updated view of its projections. Those updated projections have been used to compute updated estimated fair values of its reporting units. Based on these estimated fair values used to test goodwill for impairment in accordance with ASC 350-20, the Company concluded that no impairment existed in any of its reporting units at March 31, 2009.

The financial performance of certain reporting units was negatively impacted versus expectations due to the cold and wet weather conditions during the first half of 2009. This fact along with the macro economic factors cited above resulted in the Company concluding it was appropriate to perform a goodwill impairment review as of June 30, 2009. The Company used the updated projections in their long-range plan to compute estimated fair values of its reporting units. These projections indicated that the estimated fair value of the Consumer Performance Products

reporting unit was less than its carrying value. Based on the Company's preliminary analysis, an estimated goodwill impairment charge of $37 million was recorded for this reporting unit in the second quarter of 2009 (representing the remaining goodwill in this reporting unit). Due to the complexity of the analysis which involves completion of fair value analyses and the resolution of certain significant assumptions, the Company finalized this goodwill impairment charge in the third quarter of 2009 and no change to the estimated charge was required.

For the quarters ended March 31, 2010 and June 30, 2010, the Company's consolidated performance was in line with expectations while the performance of the Company's Chemtura AgroSolutionsTM segment (formerly known as Crop Protection Engineered Products) reporting unit was below expectations. However, the longer-term forecasts for this reporting unit are still sufficient to support its level of goodwill. As such, the Company concluded that no circumstances exist that would more likely than not reduce the fair value of any of its reporting units below their carrying amount and an interim impairment test was not considered necessary as of March 31, 2010 or as of June 30, 2010.

The Company's intangible assets (excluding goodwill) are comprised of the following:

	June 30, 2010			December 31, 2009		
(In millions)	Gross Cost	Accumulated Amortization	Net Intangibles	Gross Cost	Accumulated Amortization	Net Intangibles
Patents	$ 122	$ (56)	$ 66	$ 127	$ (49)	$ 78
Trademarks	258	(58)	200	273	(61)	212
Customer relationships	145	(40)	105	152	(38)	114
Production rights	45	(21)	24	45	(19)	26
Other	72	(32)	40	76	(32)	44
Total	$ 642	$ (207)	$ 435	$ 673	$ (199)	$ 474

The decrease in gross intangible assets since December 31, 2009 is primarily due to foreign currency translation.

Amortization expense from continuing operations related to intangible assets amounted to $9 million for the quarters ended June 30, 2010 and 2009 and $18 million for the six months ended June 30, 2010 and 2009.

12) DEBT

The Company's debt is comprised of the following:

(In millions)	June 30, 2010	December 31, 2009
6.875% Notes due 2016 (a)	$ 500	$ 500
7% Notes due July 2009 (a)	370	370
6.875% Debentures due 2026 (a)	150	150
2007 Credit Facility (a)	169	152
Amended DIP Credit Facility	299	-
DIP Credit Facility	-	250
Other borrowings (b)	7	8
Total Debt	1,495	1,430
Less: Short-term borrowings	(302)	(252)
Liabilities subject to compromise	(1,191)	(1,175)
Total Long-Term Debt	$ 2	$ 3

(a) Outstanding balance is classified as liabilities subject to compromise on the Consolidated Balance Sheets at June 30, 2010 and December 31, 2009.
(b) $2 million and $3 million of other borrowings is classified as liabilities subject to compromise on the Consolidated Balance Sheets at June 30, 2010 and December 31, 2009, respectively.

In March 2009, the carrying value of pre-petition debt was adjusted to its respective face value as this represented the expected allowable claim in the Chapter 11 cases. As a result, discounts and premiums of $24 million were charged to reorganization items, net on the Consolidated Statements of Operations in the first quarter of 2009.

Debtor-in-Possession Credit Facility

On March 18, 2009, the Debtors entered into a $400 million senior secured DIP Credit Facility arranged by Citigroup Global Markets Inc. with Citibank, N.A. as Administrative Agent, subject to approval by the Bankruptcy Court. On March 20, 2009, the Bankruptcy Court entered an interim order approving the Debtors access to $190 million of the DIP Credit Facility in the form of a $165 million term loan and a $25 million revolving credit facility. The DIP Credit Facility closed on March 23, 2009 with the drawing of the $165 million term loan. The initial proceeds were used to fund the termination of the 2009 U.S. Facility, pay fees and expenses associated with the transaction and fund business operations.

The DIP Credit Facility was comprised of the following: (i) a $250 million non-amortizing term loan; (ii) a $64 million revolving credit facility; and (iii) an $86 million revolving credit facility representing the "roll-up" of certain outstanding secured amounts owed to lenders under the prior 2007 Credit Facility who have commitments under the DIP Credit Facility. In addition, a sub-facility for letters of credit ("Letters of Credit") in an aggregate amount of $50 million was available under the unused commitments of the revolving credit facilities.

The Bankruptcy Court entered a final order providing full access to the $400 million DIP Credit Facility on April 29, 2009. On May 4, 2009, the Company used $85 million of the $250 million term loan and used the proceeds together with cash on hand to fund the $86 million "roll up" of certain outstanding secured amounts owed to certain lenders under the 2007 Credit Facility as approved by the final order.

On February 9, 2010, the Bankruptcy Court gave interim approval of the Amended DIP Credit Facility by and among the Debtors, Citibank N.A. and the other lenders party thereto (collectively the "Loan Syndicate"). The Amended DIP Credit Facility replaced the DIP Credit Facility. The Amended DIP Credit Facility provides for a first priority and priming secured revolving and term loan credit commitment of up to an aggregate of $450 million comprising a $300 million term loan and a $150 million revolving credit facility. The Amended DIP Credit Facility matures on the earliest of 364 days after the closing, the effective date of a plan of reorganization or the date of termination in whole of the Commitments (as defined in the credit agreement governing the Amended DIP Credit Facility). The proceeds of the term loan under the Amended DIP Credit Facility were used to, among other things, refinance the obligations outstanding under the previous DIP Credit Facility and provide working capital for general corporate purposes. The Amended DIP Credit Facility provided a reduction in the Company's financing costs through reductions in interest spread and avoidance of the extension fees payable under the DIP Credit Facility in February and May 2010. The Amended DIP Credit Facility closed on February 12, 2010 with the drawing of the $300 million term loan. On February 9, 2010, the Bankruptcy Court entered an order approving full access to the Amended DIP Credit Facility, which order became final by its terms on February 18, 2010.

The Amended DIP Credit Facility resulted in a substantial modification for certain lenders within the loan syndicate given the reduction in their commitments as compared to the DIP Credit Facility. Accordingly, the Company recognized a $13 million charge for the six months ended June 30, 2010 for the early extinguishment of debt resulting from the write-off of deferred financing costs and the incurrence of fees payable to lenders under the DIP Credit Facility. The Company also incurred $5 million of debt issuance costs related to the Amended DIP Credit Facility for the six months ended June 30, 2010.

The Amended DIP Credit Facility is secured by a super-priority lien on substantially all of the Company's U.S. assets, including (i) cash; (ii) accounts receivable; (iii) inventory; (iv) machinery, plant and equipment; (v) intellectual property; (vi) pledges of the equity of first tier subsidiaries; and (vii) pledges of debt and other instruments. Availability of credit is equal to (i) the lesser of (a) the Borrowing Base (as defined below) and (b) the effective commitments under the Amended DIP Credit Facility minus (ii) the aggregate amount of the DIP Loans and any undrawn or unreimbursed Letters of Credit. The Borrowing Base is the sum of (i) 80% of the Debtors' eligible accounts receivable, plus (ii) the lesser of (a) 85% of the net orderly liquidation value percentage (as defined in the Amended DIP Credit Facility) of the Debtors' eligible inventory and (b) 75% of the cost of the Debtors' eligible inventory, plus (iii) $275 million, less certain reserves determined in the discretion of the Administrative Agent to preserve and protect the value of the collateral. As of June 30, 2010, extensions of credit outstanding under the Amended DIP Credit Facility consisted of the $299 million term loan (net of an original issue discount of $1 million) and letters of credit of $24 million.

On July 27, 2010, the Company entered into Amendment No. 1 of the Amended DIP Credit Facility that provided for, among other things, the consent of the Company's DIP lenders to (a) file a voluntary Chapter 11 petition for Chemtura Canada Co./Cie ("Chemtura Canada") without resulting in a default of the Amended DIP Credit Facility and without requiring that Chemtura Canada be added as a guarantor under the Amended DIP Credit Facility; (b) make certain intercompany advances to Chemtura Canada and allow Chemtura Canada to pay intercompany obligations to Crompton Financial Holdings, (c) sell the Company's natural sodium sulfonates and oxidized petrolatums business, (d) settle claims against BioLab, Inc. and Great Lakes Chemical Company relating to a fire that occurred at BioLab, Inc.'s warehouse in Conyers, Georgia and (e) settle claims arising under the asset purchase agreement between

Chemtura Corporation and PMC Biogenix, Inc. pursuant to which the Company sold its oleochemicals business and certain related assets to PMC Biogenix, Inc.

Borrowings under the DIP Credit Facility term loans and the $64 million revolving credit facility bore interest at a rate per annum equal to, at the Company's election, (i) 6.5% plus the Base Rate (defined as the higher of (a) 4%; (b) Citibank N.A.'s published rate; or (c) the Federal Funds rate plus 0.5%) or (ii) 7.5% plus the Eurodollar Rate (defined as the higher of (a) 3% or (b) the current LIBOR rate adjusted for reserve requirements). Borrowings under the $86 million revolving facility bore interest at a rate per annum equal to, at the Company's election, (i) 2.5% plus the Base Rate or (ii) 3.5% plus the Eurodollar Rate. Additionally, the Company was obligated to pay an unused commitment fee of 1.5% per annum on the average daily unused portion of the revolving credit facilities and a letter of credit fee on the average daily balance of the maximum daily amount available to be drawn under Letters of Credit equal to the applicable margin above the Eurodollar Rate applicable for borrowings under the applicable revolving credit facility. Certain fees were payable to the lenders upon the reduction or termination of the commitment and upon the substantial consummation of a plan of reorganization as described more fully in the DIP Credit Facility including an exit fee payable to the Lenders of 2% of "roll-up" commitments and 3% of all other commitments. These fees which amounted to $11 million were paid upon the funding of the term loan under the Amended DIP Credit Facility.

Borrowings under the Amended DIP Credit Facility term loan bear interest at a rate per annum equal to, at our election, (i) 3.0% plus the Base Rate (defined as the higher of (a) 3%; (b) Citibank N.A.'s published rate; or (c) the Federal Funds rate plus 0.5%) or (ii) 4.0% plus the Eurodollar Rate (defined as the higher of (a) 2% or (b) the current LIBOR rate adjusted for reserve requirements). Borrowings under the $150 million revolving facility bear interest at a rate per annum equal to, at our election, (i) 3.25% plus the Base Rate or (ii) 4.25% plus the Eurodollar Rate. Additionally, the Company pays an unused commitment fee of 1.0% per annum on the average daily unused portion of the revolving facilities and a letter of credit fee on the average daily balance of the maximum daily amount available to be drawn under Letters of Credit equal to the applicable margin above the Eurodollar Rate applicable for borrowings under the applicable revolving 2007 Credit Facility.

The obligations of the Company as borrower under the Amended DIP Credit Facility are guaranteed by the Company's U.S. subsidiaries who are Debtors in the Chapter 11 cases, which, together with the Company own substantially all of the Company's U.S. assets. The obligations must also be guaranteed by each of the Company's subsidiaries that become party to the Chapter 11 cases, subject to specified exceptions.

All amounts owing by the Company and the guarantors under the Amended DIP Credit Facility and certain hedging arrangements and cash management services are secured, subject to a carve-out as set forth in the Amended DIP Credit Facility (the "Carve-Out"), for professional fees and expenses (as well as other fees and expenses customarily subject to such Carve-Out), by (i) a first priority perfected pledge of (a) all notes owned by the Company and the guarantors and (b) all capital stock owned by the Company and the guarantors (subject to certain exceptions relating to their respective foreign subsidiaries) and (ii) a first priority perfected security interest in all other assets owned by the Company and the guarantors, in each case, junior only to liens as set forth in the Amended DIP Credit Facility and the Carve-Out.

The Amended DIP Credit Facility requires the Company to meet certain financial covenants including the following: (a) minimum cumulative monthly earnings before interest, taxes, and depreciation ("EBITDA"), after certain adjustments, on a consolidated basis; (b) a maximum variance of the weekly cumulative cash flows of the Debtors, compared to an agreed upon forecast; (c) minimum borrowing availability of $20 million; and (d) maximum quarterly capital expenditures. In addition, the Amended DIP Credit Facility, as did the DIP Credit Facility, contains covenants which, among other things, limit the incurrence of additional debt, operating leases, issuance of capital stock, issuance of guarantees, liens, investments, disposition of assets, dividends, certain payments, mergers, change of business, transactions with affiliates, prepayments of debt, repurchases of stock and redemptions of certain other indebtedness and other matters customarily restricted in such agreements. As of June 30, 2010, the Company was in compliance with the covenant requirements of the Amended DIP Credit Facility.

The Amended DIP Credit Facility contains events of default, including, among others, payment defaults and breaches of representations and warranties (such as non-compliance with covenants and the existence of a material adverse effect (as defined in the agreement)).

Other Debt Obligations

The Chapter 11 filing constituted an event of default under, or otherwise triggered repayment obligations with respect to, several of the debt instruments and agreements relating to direct and indirect financial obligations of the Debtors (collectively "Pre-petition Debt"). All obligations under the Pre-petition Debt have become automatically and immediately due and payable. The Debtors believe that any efforts to enforce the payment obligations under the Pre-petition Debt have been stayed as a result of the Chapter 11 cases. Accordingly, interest accruals and payments for the unsecured Pre-petition Debt had ceased as of the petition date. As a result of the estimated claim recoveries reflected in the Plan filed during the second quarter of 2010, the Company determined that it was probable that

obligations for interest on unsecured claims would ultimately be paid. As such, interest that had not previously been recorded since the Petition Date was recorded in the second quarter of 2010. The amount of post-petition interest recorded during the quarter ended June 30, 2010 was $108 million which represents the cumulative amount of interest accruing for the Petition Date through June 30, 2010.

The Company has not recorded disputed claim amounts for "make-whole" payments being sought for the $500 million of 6.875% Notes Due 2016 ("2016 Notes") and for "no-call" payments being sought for the $150 million 6.875% Debentures due 2026 ("2026 Debentures"). While the proposed Plan filed by the Debtors contains an estimate of $70 million for these claim amounts, this potential obligation will not be incurred until such time that the 2016 Notes and the 2026 Debentures are actually redeemed which will not occur until a plan of reorganization becomes effective.

The Pre-petition Debt as of June 30, 2010 consisted of $500 million 2016 Notes, $370 million of 7% Notes due July 15, 2009 ("2009 Notes"), $150 million 2026 Debentures (together with the 2016 Notes, the 2009 Notes and the 2026 Debentures, the "Notes"), $169 million due 2010 under the 2007 Credit Facility and $2 million of other borrowings. Pursuant to the final order of the Bankruptcy Court approving the DIP Credit Facility, the Debtors have acknowledged the pre-petition secured indebtedness associated with the 2007 Credit Facility to be no less than $139 million (now $53 million after the "roll-up" in connection with the Company's entry into the DIP Credit Facility).

The 2007 Credit Facility is guaranteed by certain U.S. subsidiaries of the Company (the "Domestic Subsidiary Guarantors"). Pursuant to a 2007 Credit Facility covenant, the Company and the Domestic Subsidiary Guarantors were, in June of 2007, required to provide a security interest in the equity of their first tier subsidiaries (limited to 66% of the voting stock of first-tier foreign subsidiaries). Under the terms of the indentures for the Notes, the Company was required to provide security for the Notes on an equal and ratable basis if (and for so long as) the principal amount of secured debt exceeds certain thresholds related to the Company's assets. The thresholds vary under each of the indentures. In order to avoid having the Notes become equally and ratably secured with the 2007 Credit Facility obligations, the lenders agreed to limit the amount secured by the pledged equity to the maximum amount that would not require the Notes to become equally and ratably secured (the "Maximum Amount"). In connection with the amendment and waiver agreement dated December 30, 2008, the Company and the Domestic Subsidiary Guarantors entered into a Second Amended and Restated Pledge and Security Agreement. In addition to the prior pledge of equity granted to secure the 2007 Credit Facility obligations, the Company and the Domestic Subsidiary Guarantors granted a security interest in their inventory. The value of this security interest continues to be limited to the Maximum Amount.

Borrowings under the 2007 Credit Facility at June 30, 2010 were $169 million. During the six months ended June 30, 2010, borrowings under the 2007 Credit Facility increased by $17 million following the drawing of certain letters of credit issued under the 2007 Credit Facility.

The Company has standby letters of credit and guarantees with various financial institutions. At June 30, 2010, the Company had $35 million of outstanding letters of credit and guarantees primarily related to liabilities for environmental remediation, vendor deposits, insurance obligations and European value added tax obligations. Under the Amended DIP Credit Facility letter of credit sub-facility $24 million were issued. The Company also had $16 million of third party guarantees at June 30, 2010 for which it has reserved $2 million at June 30, 2010, which represents the probability weighted fair value of these guarantees.

13) INCOME TAXES

The Company reported an income tax provision from continuing operations of $11 million and $3 million for the quarters ended June 30, 2010 and 2009, respectively and $16 million and $10 million for the six months ended June 30, 2010 and 2009, respectively. The Company has established a valuation allowance against the tax benefits associated with the Company's current year to date U.S. net operating loss. The Company will continue to adjust its tax provision through the establishment of non-cash valuation allowances until U.S. operations are more-likely than not able to generate income in future periods.

The Company has net liabilities related to unrecognized tax benefits of $74 million at June 30, 2010 and $76 million at December 31, 2009.

The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. Accrued interest and penalties are included within the related liability captions in the Consolidated Balance Sheet. The Debtors are not subject to interest beginning on March 18, 2009, the date the Debtors' filed for relief under Chapter 11 of the Bankruptcy Code.

Since the timing of resolutions and/or closure of audits is uncertain, it is difficult to predict with certainty the range of reasonably possible significant increases or decreases in the liability for unrecognized tax benefits that may occur within the next year. On July 28, 2010, the Company effectively settled an audit with the Internal Revenue Service for tax years 2006-2007. The Company expects that it will record a decrease in the liability for unrecognized tax benefits, relating to this audit settlement in the amount of $22 million. This decrease will not have an impact to our effective tax rate, but will decrease other balance sheet tax asset attributes. Other taxing authority jurisdictions settlements or expiration of statute of limitations is not expected to be significant.

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14) EARNINGS (LOSS) PER COMMON SHARE

The computation of basic earnings (loss) per common share is based on the weighted average number of common shares outstanding. The computation of diluted earnings (loss) per common share is based on the weighted average number of common and common share equivalents outstanding. The Company had no outstanding common share equivalents for the quarters ended June 30, 2010 and 2009 and the six months ended June 30, 2010 and 2009 for purposes of computing diluted earnings (loss) per share.

The weighted average common shares outstanding for the quarters ended June 30, 2010 and 2009 and for the six months ended June 30, 2010 and 2009 were 242.9 million.

The shares of common stock underlying the Company's outstanding stock options of 5.9 million and 9.8 million at June 30, 2010 and 2009, respectively, were excluded from the calculation of diluted earnings (loss) per share because the exercise prices of the stock options were greater than or equal to the average price of the common shares as of such dates. These options could be dilutive if the average share price increases and is greater than the exercise price of these options. The Company's performance-based restricted stock units ("RSUs") of 0.3 million and 0.6 million at June 30, 2010 and 2009, respectively, were also excluded from the calculation of diluted earnings (loss) per share because the specified performance criteria for the vesting of these RSUs had not yet been met. These RSUs could be dilutive in the future if the specified performance criteria are met.

15) STOCK-BASED COMPENSATION

Stock-based compensation expense, including amounts for RSUs and stock options, was insignificant for the quarter and six months ended June 30, 2010, $1 million for the quarter ended June 30, 2009 and $2 million for the six months ended June 30, 2009. Stock-based compensation expense was primarily reported in SG&A.

All future issuances of shares of common stock under the Company's stock-based compensation plans have been suspended as a result of the Chapter 11 cases. Accordingly, the Company urges that appropriate caution be exercised with respect to existing and future investments in any of the Company's securities. Although the shares of the Company's common stock continue to trade on the Pink Sheets, the trading prices may have little or no relationship to the actual recovery, if any, by the holders under any eventual Bankruptcy Court-approved plan of reorganization. The opportunity for any recovery by holders of the Company's common stock under such plan is uncertain as all creditors' claims must be met in full with interest before value can be attributed to the common stock and, therefore, the shares of the Company's common stock and grants of equity under employee stock based compensation plans, may be cancelled without any compensation pursuant to such plan.

The Company uses the Black-Scholes option-pricing model to determine fair value of stock options. The Company has elected to recognize compensation cost for option awards granted equally over the requisite service period for each separately vesting tranche, as if multiple awards were granted. The Company did not grant any stock options or RSUs in 2009 or in the six months ended June 30, 2010.

Total remaining unrecognized compensation costs associated with unvested stock options and RSUs at June 30, 2010 were $1 million and $1 million, respectively, which will be recognized over the weighted average period of less than one year.

On June 1, 2010, the Organization, Compensation and Governance Committee of the Board of Directors (the "Committee") adopted the 2010 Emergence Incentive Plan ("2010 EIP"). The 2010 EIP was established by order of the Bankruptcy Court, dated May 18, 2010. The 2010 EIP provides the opportunity for participants to earn an award that will be granted upon the Company's emergence from Chapter 11 in the form of time-based RSUs and/or stock options,

if feasible, and/or in cash. The form of consideration will be determined by the Company's Board of Directors upon emergence from Chapter 11. The number of employees included in the 2010 EIP and the size of the award pool are based upon specific consolidated EBITDA levels achieved during the twelve month period immediately preceding the Company's emergence from Chapter 11. The maximum award pool could amount to $19 million. The 2010 EIP is currently unfunded and will by funded following the later of the emergence from Chapter 11 or December 31, 2010 to the specified level associated with the 2010 consolidated EBITDA performance achieved.

The Committee and the Bankruptcy Court approved a similar EIP plan in 2009 (the "2009 EIP"). On June 1, 2010, the Committee also adopted an amendment to the consolidated EBITDA measurement period under the 2009 EIP from twelve months trailing consolidated EBITDA from emergence from Chapter 11 to twelve months trailing consolidated EBITDA ending March 31, 2010 (the "2009 EIP Amendment"). The 2009 EIP Amendment was established by order of the Bankruptcy Court, dated May 18, 2010. The award pool for the 2009 EIP is approximately $14 million. The 2009 EIP is currently unfunded and will be funded following the emergence from Chapter 11.

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16) PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Components of the Company's defined benefit plans net periodic benefit (credit) cost for the quarters and six months ended June 30, 2010 and 2009 are as follows:

(In millions)	Qualified U.S. Plans Quarter ended June 30, 2010	Qualified U.S. Plans Quarter ended June 30, 2009	Defined Benefit Plans International and Non-Qualified Plans Quarter ended June 30, 2010	Defined Benefit Plans International and Non-Qualified Plans Quarter ended June 30, 2009	Post-Retirement Health Care Plans Quarter ended June 30, 2010	Post-Retirement Health Care Plans Quarter ended June 30, 2009
Service cost	$ -	$ -	$ 1	$ 1	$ -	$ -
Interest cost	12	12	5	5	2	2
Expected return on plan assets	(14)	(14)	(4)	(4)	-	-
Amortization of prior service cost	-	-	-	-	(1)	(1)
Amortization of actuarial losses	2	2	-	-	-	1
Net periodic benefit cost	$ -	$ -	$ 2	$ 2	$ 1	$ 2

(In millions)	Qualified U.S. Plans Six months ended June 30, 2010	Qualified U.S. Plans Six months ended June 30, 2009	Defined Benefit Plans International and Non-Qualified Plans Six months ended June 30, 2010	Defined Benefit Plans International and Non-Qualified Plans Six months ended June 30, 2009	Post-Retirement Health Care Plans Six months ended June 30, 2010	Post-Retirement Health Care Plans Six months ended June 30, 2009
Service cost	$ -	$ -	$ 2	$ 2	$ -	$ -
Interest cost	24	24	11	10	4	4
Expected return on plan assets	(28)	(28)	(9)	(8)	-	-
Amortization of prior service cost	-	-	-	-	(2)	(2)
Amortization of actuarial losses	4	5	-	-	1	1
Net periodic benefit (credit) cost	$ -	$ 1	$ 4	$ 4	$ 3	$ 3

The Company did not make any discretionary payments to its U.S. qualified and non-qualified pension plans during the six months ended 2010. The Company contributed $4 million to its international pension plans for the six months ended June 30, 2010. Contributions to post-retirement health care plans for the six months ended June 30, 2010 were $7 million.

Liabilities subject to compromise as of June 30, 2010 and December 31, 2009 include $378 million and $405 million respectively, related to all of the U.S. pension and post-retirement health care plans.

During 2009, the Bankruptcy Court authorized the Company to modify certain benefits under their sponsored post-retirement health care plans. During March 2010, certain participants of these plans were notified of the amendments to their benefits. As a result of these amendments, the Company recognized a $23 million decrease in their U.S. post-retirement health care plan obligations which is classified within liabilities subject to compromise. The offset to this liability decrease was reflected within accumulated other comprehensive loss.

On November 18, 2009, the Bankruptcy Court entered an order (the “2009 OPEB Order”) approving in part the Company’s motion (the “2009 OPEB Motion”) requesting authorization to modify certain post-retirement welfare benefits (the “OPEB Benefits”) under the Company’s 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 the Company’s right to modify their OPEB Benefits. On April 21, 2010, the Bankruptcy Court ordered the Company 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, the Company requested that the Bankruptcy Court, rather than having a hearing to determine whether or not the Uniroyal Salaried Retirees filed a timely objection to the 2009 OPEB Motion, have a hearing instead to decide as a matter of law, whether the Company has the right to modify the OPEB Benefits of the Uniroyal Salaried Retirees, as requested in the 2009 OPEB Motion. The Bankruptcy Court is scheduled to hear oral arguments on this issue on September 8, 2010.

In addition, on January 6, 2010, the Bankruptcy Court heard arguments regarding whether the Company had the right to modify the OPEB Benefits, as requested in the 2009 OPEB Motion, with respect to certain retirees who were represented by the United Steelworkers, or one of its predecessor unions, while employed by the Company (the "USW Retirees") and as to whom the Bankruptcy Court did not rule as part of the 2009 OPEB Order. The Bankruptcy Court determined that it could not, without an evidentiary hearing, rule on the 2009 OPEB Motion as it relates to the USW Retirees. The Debtors have been and currently are engaged in negotiations with the USW Retirees to determine whether a consensual resolution can be reached with respect to modification of their OPEB Benefits and an evidentiary hearing has not yet been scheduled.

The Company has not yet recognized any proposed benefit modifications relating to the Uniroyal Salaried Retirees or the USW Retirees.

Liabilities of discontinued operations as of December 31, 2009 include $28 million for pension liabilities that were assumed by the buyer upon the completion of the divestiture of the PVC additives business on April 30, 2010.

17) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company's activities expose its 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. The Company maintains a risk management strategy that may utilize derivative instruments to mitigate risk against foreign currency movements and to manage energy price volatility. In accordance with ASC Topic 815, Derivatives and Hedging ("ASC 815"), the Company recognizes in accumulated other comprehensive loss ("AOCL") any changes in the fair value of all derivatives designated as cash flow hedging instruments. The Company does not enter into derivative instruments for trading or speculative purposes.

The Company used price swap contracts as cash flow hedges to convert a portion of its forecasted natural gas purchases from variable price to fixed price purchases. In the fourth quarter of 2007, the Company ceased the purchase of additional price swap contracts as a cash flow hedge of forecasted natural gas purchases and established fixed price contracts with physical delivery with its natural gas vendor. The existing price swap contracts matured through December 31, 2009. These contracts were designated as hedges of a portion of the Company's forecasted natural gas purchases and these contracts involve the exchange of payments over the life of the contracts without an exchange of the notional amount upon which the payments are based. The differential paid or received as natural gas prices change is reported in AOCL. These amounts are subsequently reclassified into COGS when the related inventory is sold. A loss of $1 million was reclassified from AOCL into COGS for the six months ended June 30, 2009. All remaining contracts have been terminated by the counterparties due to the Company's Chapter 11 cases and have been classified as liabilities subject to compromise. As of the termination date, the contracts were deemed to be effective and the Company maintained hedge accounting through the contracts maturity given that the forecasted hedge transactions are probable. At June 30, 2010 and December 31, 2009, the Company had no outstanding price swaps.

The Company has exposure to changes in foreign currency exchange rates resulting from transactions entered into by the Company and its foreign subsidiaries in currencies other than their functional currency (primarily trade payables and receivables). The Company is also exposed to currency risk on intercompany transactions (including intercompany loans). The Company manages these transactional currency risks on a consolidated basis, which allows it to net its exposure. The Company has traditionally purchased foreign currency forward contracts, primarily denominated in Euros, British Pound Sterling, Canadian dollars, Mexican pesos, and Australian dollars to manage its transaction exposure. These contracts are generally recognized in other income (expense), net to offset the impact of valuing recorded foreign currency trade payables, receivables and intercompany transactions. The Company has not designated these derivatives as hedges, although it believes these instruments reduce the Company's exposure to

foreign currency risk. However, as a result of the changes in the Company’s financial condition, it no longer has financing arrangements that provide for the capacity to purchase foreign currency forward contracts or hedging instruments to continue its prior practice. As a result, the Company’s ability to mitigate changes in foreign currency exchange rates resulting from transactions was limited beginning in the first quarter of 2009. The Company recognized a net loss on these derivatives of $26 for the six months ended June 30, 2009, which was offset by gains of $5 for the six months ended June 30, 2009, respectively, relating to the underlying transactions.

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18) 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, excluding liabilities subject to compromise, approximate their fair value because of the short-term maturities of these instruments. The fair value of debt is based primarily on quoted market values. For debt that has no quoted market value, the fair value is estimated by discounting projected future cash flows using the Company's incremental borrowing rate.

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

	As of June 30, 2010		As of December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In millions)				
Total debt	$ (1,495)	$ (1,618)	$ (1,430)	$ (1,459)

Total debt includes liabilities subject to compromise with a carrying amount of $1.2 billion (fair value of $1.3 billion) at June 30, 2010 and a carrying amount of $1.2 billion (fair value of $1.2 billion) at December 31, 2009.

Fair Value Measurements

The Company applies the provisions of guidance now codified under ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820") with respect to its 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 the Company's 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.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis:

(In millions)		As of June 30, 2010 Level 1	As of December 31, 2009 Level 1
Assets			
Investments held in trust related to a nonqualified deferred compensation plan	(a)	$ 1	$ 1

Liabilities			
Deferred compensation liability	(a)	$ 1	$ 1

(a) Represents the deferral of compensation, the Company's match and investment earnings related to the Company's Supplemental Savings Plan. These securities are considered general assets of the Company until distributed to the participant and are included in other assets in the Consolidated Balance Sheets. A corresponding liability is included in liabilities subject to compromise at June 30, 2010 and December 31, 2009 in the Consolidated Balance Sheets. Quoted market prices were used to determine fair values of the investments held in a trust with a third-party brokerage firm.

Level 3 fair value measurements are utilized by the Company in its impairment reviews of goodwill. Level 1, level 2 and level 3 fair value measurements are utilized by the Company for defined benefit plan assets in deriving the funded status of pension and post-retirement benefit plan liabilities.

19) ASSET RETIREMENT OBLIGATIONS

The Company applies the provisions of guidance now codified under ASC Topic 410, Asset Retirements and Environmental Obligations ("ASC 410"), which require companies to make estimates regarding future events in order to record a liability for asset retirement obligations in the period in which a legal obligation is created. Such liabilities are recorded at fair value, with an offsetting increase to the carrying value of the related long-lived assets. The fair value is estimated by discounting projected cash flows over the estimated life of the assets using the Company's 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. The Company also adjusts the liability for changes resulting from revisions to the timing or the amount of the original estimate. Upon retirement of the long-lived asset, the Company either settles the obligation for its recorded amount or incurs a gain or loss.

The Company's asset retirement obligations include estimates for all asset retirement obligations identified for its worldwide facilities. The Company's 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 23 facilities; legal obligations to close approximately 95 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 35 of the Company's manufacturing facilities.

The following is a summary of the change in the carrying amount of the asset retirement obligations for the quarters and six months ended June 30, 2010 and 2009 and the net book value of assets related to the asset retirement obligations at June 30, 2010 and 2009:

	Quarters ended June 30,		Six months ended June 30,	
(In millions)	2010	2009	2010	2009
Asset retirement obligation balance at beginning of period	$ 30	$ 23	$ 26	$ 23
Accretion expense – cost of goods sold (a)	(3)	1	1	2
Payments	(1)	(1)	(1)	(2)
Asset retirement obligation balance at end of period	$ 26	$ 23	$ 26	$ 23
Net book value of asset retirement obligation assets at end of period	$ 1	$ 2	$ 1	$ 2

(a) The decrease in accretion expense for the quarter and six months ended June 30, 2010 is due to the revision of costs related to the restructuring plan involving the consolidation of the El Dorado, Arkansas facility that was approved in January 2010.

Depreciation expense for the quarters and six months ended June 30, 2010 and 2009 were less than $1 million.

At June 30, 2010, $9 million of the asset retirement obligation was included in accrued expenses, $15 million was included in other liabilities and $2 million was included in liabilities subject to compromise on the Consolidated Balance Sheet. At December 31, 2009, $9 million was included in accrued expenses, $15 million was included in other liabilities and $2 million was included in liabilities subject to compromise.

20) RESTRUCTURING ACTIVITIES

Reorganization Initiatives

In 2009, the Company obtained approval of the Bankruptcy Court to implement certain cost savings and growth initiatives and filed motions to obtain approval for additional initiatives. During the third quarter of 2009, the Company implemented certain of these initiatives including the closure of a manufacturing plant in Ashley, Indiana, the consolidation of warehouses related to its Consumer Performance Products business, the reduction of leased space at two of its U.S. office facilities, and the rejection of various unfavorable real property leases and executory contracts. On January 25, 2010, the Company's Board of Directors approved an initiative involving the consolidation and idling of certain assets within the flame retardants business operations in El Dorado, Arkansas, which was approved by the Bankruptcy Court on February 23, 2010. As a result of these initiatives, the Company recorded pre-tax charges of $26 million for the six months ended June 30, 2010 ($3 million was recorded to reorganization items, net for severance, contract rejections and asset relocation costs, $21 million was recorded to depreciation and amortization for accelerated depreciation, and $2 million was recorded to COGS for accelerated asset retirement obligations and asset write-offs).

Corporate Restructuring Programs

In March 2010, the Company approved a restructuring plan to consolidate certain corporate functions internationally to gain efficiencies and reduce costs. Such plan will involve the relocation of certain employees and the termination of approximately 20 employees. As a result of this plan, the Company recorded a pre-tax charge of $3 million for severance to facility closures, severance and related costs for the six months ended June 30, 2010.

In December, 2008, the Company announced a worldwide restructuring program to reduce cash fixed costs. This initiative involved a worldwide reduction in the Company's professional and administrative staff by approximately 500 people. The Company recorded a pre-tax charge of $3 million for the six months ended June 30, 2009 to facility closures, severance and related costs for severance and related costs.

A summary of the reserves for all the Company's cost savings initiatives and restructuring programs is as follows:

(In millions)	Severance and Related Costs	Other Facility Closure Costs	Total
Balance at January 1, 2010	$ 9	$ 4	$ 13
2010 charges:			
Facility closure, severance and related costs	3	-	3
Reorganization initiatives, net	1	-	1
Cash payments	(3)	-	(3)
Balance at June 30, 2010	$ 10	$ 4	$ 14

At June 30, 2010, $5 million of the above reserve was included in accrued expenses and $9 million was included in liabilities subject to compromise on the Consolidated Balance Sheet. At December 31, 2009, $4 million was included in accrued expenses and $9 million was included in liabilities subject to compromise.

21) LEGAL PROCEEDINGS AND CONTINGENCIES

The Company is involved in claims, litigation, administrative proceedings and investigations of various types in a number of jurisdictions. A number of such matters involve, or may involve, claims for a material amount of damages and relate to or allege environmental liabilities, including clean-up costs associated with hazardous waste disposal sites, natural resource damages, property damage and personal injury. As a result of the Chapter 11 cases, substantially all pre-petition litigation and claims against the Debtors have been stayed. Accordingly, unless indicated otherwise, each case described below is stayed.

Chapter 11 Claims Assessment

The Bankruptcy Court established October 30, 2009 as the Bar Date. Under certain limited circumstances, some creditors may be permitted to file proofs of claim after the Bar Date. Accordingly, it is possible that not all potential proofs of claim were filed as of the filing of this Quarterly Report.

As of July 9, 2010, the Debtors have received approximately 15,400 proofs of claim covering a broad array of areas. Approximately 8,000 proofs of claim have been asserted in "unliquidated" amounts or contain an unliquidated component that are treated as being asserted in "unliquidated" amounts. Excluding proofs of claim in "unliquidated" amounts, the aggregate amount of proofs of claim filed totaled approximately $23.7 billion. A summary of the proofs of claim by type and amount as of July 9, 2010 is as follows:

Claim Type	No. of Claims		Amount (in millions)
Environmental	253	$	247
Litigation	10,772		9,367
PBGC	324		13,634
Employee, benefits and wages	1,123		55
Bond	32		152
Trade	2,029		165
503(b)(9)	78		6
Other	791		43
Total	15,402	$	23,669

The Company is in the process of completing its evaluation of the amounts asserted in and the factual and legal basis of the proofs of claim filed against the Debtors. Based upon the Company's review and evaluation through July 9, 2010, which review is continuing, a significant number of proofs of claim are duplicative and/or legally or factually without merit. As to those claims, the Company has filed or intends to file objections with the Bankruptcy Court. Since the Bar Date and as of July 9, 2010, 7,460 proofs of claim totaling $9.2 billion have been expunged and 574 proofs of claim totaling approximately $14 million have been withdrawn. The Company has also filed motions to expunge an additional 687 proofs of claim totaling $249 million which motions are pending before the Bankruptcy Court or have been approved by the Bankruptcy Court but orders have not been entered. In addition, and as shown in the table above, the Pension Benefit Guaranty Corporation ("PBGC") filed 324 proofs of claim totaling $13.6 billion. The Company believes that these proofs of claim are duplicative as 12 proofs of claim have been filed against each of the 27 Debtors, resulting in duplicative claims totaling approximately $13.1 billion. Excluding the duplicative proofs of claim, the PBGC filed 12 proofs of claim totaling approximately $500 million, which are contingent on termination of the US Retirement Plan. The proposed Plan provides for a settlement with the PBGC whereby the Debtors will make a $50 million contribution upon emergence with respect to the Chemtura US Retirement Plan in return for the PBGC agreeing not to pursue termination of the US Retirement Plan solely based upon the Debtors' restructuring under the Plan.

For the quarter ended June 30, 2010, the Company has recognized a $49 million credit for changes in estimates related to expected allowable claims in liabilities subject to compromise and for the six months ended June 30, 2010, the Company has recognized a $73 million charge for changes in estimates related to expected allowable claims in liabilities subject to compromise in the Consolidated Financial Statements. As the Debtors complete the process of evaluating and/or resolving the proofs of claim, appropriate adjustments to the Consolidated Financial Statements will

be made. Adjustments may also result from actions of the Bankruptcy Court, settlement negotiations, rejection of executory contracts and real property leases, determination as to the value of any collateral securing claims and other events. For additional information on liabilities subject to compromise, see Note 4 - Liabilities Subject to Compromise and Reorganization Items, Net.

Environmental Liabilities

The Company is 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. As part of the Chapter 11 cases, the Debtors expect to retain responsibility for environmental cleanup liabilities relating to currently owned or operated sites (i.e., sites that remain part of the Debtors' estate) and to discharge in the Chapter 11 cases liabilities relating to formerly owned or operated sites (i.e. sites that are no longer part of the Debtors' estates) and third-party sites (i.e., sites that never were part of the Debtors' estate). To that end, on November 3, 2009, the Debtors initiated an Adversary Proceeding against the United States and various States seeking a ruling from the Bankruptcy Court that the Debtors' liabilities with respect to formerly owned or operated sites and third-party sites are dischargeable in the Chapter 11 cases. On January 19, 2010, the Debtors filed an amended complaint. In response, on January 21, 2010, the United States filed a motion to withdraw the reference to the Bankruptcy Court, which motion was granted on March 26, 2010. As a result, the action filed by the Debtors is now before the U.S. District Court for the Southern District of New York. The parties are currently engaged in motion practice, with both parties having filed motions for summary judgment on certain key issues. Those motions are now pending before the District Court, although the District Court has granted a stay with respect to completion of the briefing as the parties engage in settlement negotiations. In view of the issues of law raised in the pleadings, estimates relating to environmental liabilities with respect to formerly owned or operated sites and third-party sites, or offers made to settle such liabilities, are classified as liabilities subject to compromise in the Company's Consolidated Balance Sheet. See Note 4 - Liabilities Subject to Compromise and Reorganization Items, Net.

Each quarter, the Company evaluates and reviews 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, the Company determines 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 the Company and the anticipated time frame over which payments toward the remediation plan will occur. At sites where the Company expects to incur ongoing operation and maintenance expenditures, the Company accrues on an undiscounted basis for a period of generally 10 years those costs which the Company believes are probable and reasonably estimable. In addition, where settlement offers have been extended to resolve an environmental liability as part of the Chapter 11 cases, the amounts of those offers have been accrued and are reflected in the Consolidated Balance Sheet as liabilities subject to compromise. See Note 4 - Liabilities Subject to Compromise and Reorganization Items, Net.

The total amount accrued for such environmental liabilities as of June 30, 2010 and December 31, 2009 was $162 million and $122 million, respectively. At June 30, 2010 and December 31, 2009, $12 million and $16 million, respectively, of these environmental liabilities were reflected as accrued expenses, $65 million and $64 million, respectively, were reflected as other liabilities and $84 million and $42 million, respectively, were classified as liabilities subject to compromise on the Consolidated Balance Sheets. The Company estimates that environmental liabilities could range up to $206 million at June 30, 2010. The Company's accruals for environmental liabilities include estimates for determinable clean-up costs. During the second quarter of 2010 and the six months ended June 30, 2010, the Company recorded a pre-tax charge of $37 million and $47 million, respectively, to increase its environmental reserves primarily due to settlement negotiations with respect to certain sites. During the six months ended June 30, 2010, the Company made payments of $3 million for clean-up costs, which reduced its environmental liabilities. At certain sites, the Company has contractual agreements with certain other parties to share remediation costs. The Company has a receivable of $10 million and $12 million at June 30, 2010 and December 31, 2009, respectively, to reflect probable recoveries. 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. The Company intends 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 the Company's present estimates, and could have, individually or in the aggregate, a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company's 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 continue or as certain liabilities relating to such sites are resolved as part of the Chapter 11 cases.

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. The Company and several of its 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 site, including the Company, despite the involvement of other PRPs. In many cases, the Company is one of a large number of PRPs with respect to a site. In a few instances, the Company is the sole or one of only a handful of PRPs performing investigation and remediation. Where other financially responsible PRPs are involved, the Company expects that any ultimate liability resulting from such matters will be apportioned between the Company and such other parties. The Company presently anticipates that many, if not all, of the Debtors' CERCLA and comparable liabilities with respect to pre-petition activities and relating to third-party waste sites will be resolved as part of the Chapter 11 cases. In addition, the Company is involved with environmental remediation and compliance activities at some of its current and former sites in the United States and abroad. As discussed above, the Debtors presently intend to retain environmental clean up responsibility at currently owned or operated sites and to discharge in the Chapter 11 cases liabilities relating to formerly owned or operated sites and third-party sites.

Governmental Investigation Alleging Violations of Environmental Laws

Conyers - Clean Air Act Investigation – The U.S. EPA is investigating alleged violations of law by the Company arising out of the General Duty Clause of the Clean Air Act, the emergency release notification requirements of CERCLA and/or the Emergency Planning and Community Right to Know Act, and the Clean Water Act and is seeking a penalty and other relief in excess of one hundred thousand dollars. The Company is currently in settlement discussions with the government concerning this matter. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Litigation and Claims

Tricor

This case involves two related properties in Bakersfield, California; the Oildale Refinery (the "Refinery") and the Mt. Poso Tank Farm ("Mt. Poso"). The Refinery and Mt. Poso were previously owned and operated by a division of Witco, a predecessor of the Company. In 1997, the Refinery and portions of Mt. Poso were sold to Golden Bear Acquisition Corp. Under the terms of sale, Witco retained certain environmental obligations with respect to the Refinery and Mt. Poso. Golden Bear operated the refinery for several years before filing for bankruptcy in 2001. Tricor Refining LLC ("Tricor") purchased the Refinery and related assets out of bankruptcy. In 2004, Tricor commenced an action against the Company alleging that the Company failed to comply with its obligations under an environmental agreement that was assumed by Tricor when it acquired the assets of Golden Bear.

The case was bifurcated and in July 2007, the California Superior Court, Kern County, entered an interlocutory judgment finding liability against the Company based on breach of contract. Thereafter, Tricor elected to terminate the contract and seek monetary damages in the amount of $31 million (plus attorneys fees) based on the alleged cost of cleaning up the Refinery. The damages phase of the trial began in November 2008 and the testimony phase of the trial was completed on March 16, 2009. The Company calculated cleanup costs at approximately $2 million. Post-trial briefing of the case was stayed by the Chapter 11 cases, but the stay was subsequently lifted by stipulation of the parties and approval of the Bankruptcy Court. Briefing was concluded on November 3, 2009.

On January 28, 2010, the California Superior Court rendered a judgment awarding damages to Tricor in the amount of approximately $3 million including interest and costs. Tricor did not seek damages with respect to Mt. Poso, and the parties have entered into a tolling agreement relating to this aspect of the case. The court's decision relieved Tricor of any obligation to take title to any portion of Mt. Poso.

On April 5, 2010, the Company filed a proposed Statement of Decision and a proposed Final Judgment. On May 3, 2010, Tricor filed an objection to the proposed Final Judgment. On June 14, 2010, the Court entered a Final Judgment affirming its prior decision, which Final Judgment was corrected on July 9, 2010. Tricor has a right to appeal the Final Judgment. The Company and Tricor are currently engaged in settlement discussions concerning this matter. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Conyers

The Company and certain of its former officers and employees were named as defendants in five putative state class action lawsuits filed in three counties in Georgia and one putative class action lawsuit filed in the United States District Court for the Northern District of Georgia pertaining to the fire at the Company's Conyers, Georgia warehouse on May 25, 2004. Of the five putative state class actions, two were voluntarily dismissed by the plaintiffs, leaving three such lawsuits, all of which are now pending in the Superior Court of Rockdale County, Georgia. These remaining putative state class actions, as well as the putative class action pending in federal district court, seek recovery for economic and non-economic damages allegedly arising from the fire. Punitive damages are sought in the Davis case in Rockdale County, Georgia and in the Martin case in the United States District Court for the Northern District of Georgia. The Martin case also seeks a declaratory judgment to reform certain settlements, as well as medical monitoring and injunctive relief.

The Company was also named as a defendant in fifteen lawsuits filed by individual or multi-party plaintiffs in the Georgia and Federal courts pertaining to the May 25, 2004 fire at its Conyers, Georgia warehouse. Eight of these lawsuits remain. The plaintiffs in these remaining lawsuits seek recovery for economic and non-economic damages, including punitive damages in five of the eight remaining lawsuits. One of the lawsuits, the Diana Smith case, was filed in the United States District Court for the Northern District of Georgia against the Company, as well as the City of Conyers and Rockdale County, and included allegations similar to those in the other lawsuits noted above, but adding claims for alleged civil rights violations, federal Occupational Safety and Health Administration violations, Georgia Racketeer Influenced and Corrupt Organizations Act violations, criminal negligence, reckless endangerment, false imprisonment, and kidnapping, among other claims. The federal law claims were dismissed with prejudice and the state law claims were dismissed without prejudice. The Court has also dismissed without prejudice the plaintiffs' claims against the City of Conyers and Rockdale County. The Diana Smith case was subsequently refiled. In 2008, the Company moved to dismiss certain of the refiled claims. The court granted the Company's motion in March of 2008. Plaintiffs have appealed the dismissal of these claims. The remainder of plaintiffs' claims are pending.

The Debtors are currently in discussions with the claimants to resolve their claims amicably. In addition, at the time of the fire, the Company maintained, and continues to maintain, property and general liability insurance. The Company believes that its general liability policies will adequately cover any third-party claims and legal and processing fees in excess of the amounts that were recorded through June 30, 2010.

Diacetyl Litigation

Beginning before 2001, food industry factory workers began alleging that exposure to diacetyl, a butter flavoring ingredient widely used in the food industry between 1982 and 2005, caused respiratory illness. Product liability actions were filed throughout the United States alleging that diacetyl was defectively designed and manufactured and that diacetyl manufacturers and distributors had failed to properly warn end users of diacetyl's dangers. The first diacetyl related action was filed against the Company in 2005. Currently, there are twenty-two diacetyl lawsuits pending against the Company and/or Chemtura Canada, a wholly-owned subsidiary of the Company.

On June 17, 2009, the Company filed an Adversary Proceeding in the Bankruptcy Court seeking to extend the automatic stay to Chemtura Canada, a non-debtor, and Citrus & Allied Essences, Ltd. ("Citrus"), Chemtura Canada's exclusive reseller in North America, in connection with all current and future product liability actions involving diacetyl. The Bankruptcy Court granted the Company's request for a temporary restraining order on June 23, 2009. The Company also filed a motion seeking to transfer existing diacetyl-related claims against the Company, Chemtura Canada and Citrus to the U.S. District Court for the Southern District of New York, with the goal of resolving the diacetyl litigation as effectively and expeditiously as possible. That motion was granted by Order dated January 22, 2010 and the District Court referred all transferred and consolidated claims to the Bankruptcy Court for resolution.

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As part of the Chapter 11 cases, approximately 373 non-duplicative proofs of claim involving diacetyl have been filed against the Company, approximately 366 of which have been filed by individual claimants, and approximately 7 of which have been filed by Citrus and other users of diacetyl seeking contribution or indemnity. The Company believes that it and Chemtura Canada have substantial insurance coverage with respect to these claims, subject to various self-insured retentions, limits and terms of coverage. The first layer carriers who issued "occurrence" based policies to the Company and Chemtura Canada, which policies should provide insurance coverage for these diacetyl claims, are all American International Group ("AIG") companies. AIG has reserved its rights to deny coverage under those policies with respect to the Company and Chemtura Canada. On February 4, 2010, AIG filed a lawsuit against Chemtura Canada and Zurich Insurance Company in the Supreme Court of New York seeking, among other things, a declaration relieving AIG of its coverage obligations with respect to Chemtura Canada. In addition, AIG filed a motion to lift the automatic stay seeking to add the Company to its state court lawsuit so that AIG could seek a determination of its coverage obligations as to the Company. The Company has opposed that motion. On February 25, 2010, Chemtura Canada filed a notice of removal of the AIG lawsuit to the US District Court for the Southern District of New York. On March 3, 2010, the Company and Chemtura Canada filed an Adversary Proceeding in the Bankruptcy Court against AIG, seeking a declaration of AIG's obligations to indemnify and defend both Chemtura and Chemtura Canada, subject to various self-insured retentions, limits and terms of coverage. On March 29, 2010, AIG filed a motion to withdraw the reference to the Bankruptcy Court with respect to the Company's and Chemtura Canada's Adversary Proceeding, as well as a motion to remand to state court the lawsuit filed by AIG that had been removed to the US District Court. The Company and Chemtura Canada have opposed both of these motions. On July 15, 2010, the US District Court referred the AIG lawsuit to the Bankruptcy Court. As a result, both the AIG lawsuit and the Company's and Chemtura Canada's Adversary Proceeding are before the Bankruptcy Court. While the Company believes that the issues concerning insurance coverage for these matters should be resolved in the Bankruptcy Court, no determination has yet been made by the court concerning which action shall proceed. While the Company believes it has substantial insurance coverage with respect to the diacetyl claims, the Company had not recorded a receivable from its insurance carriers as of June 30, 2010.

The law firm of Humphrey, Farrington & McClain, P.C. ("HFM") represents 347, or over 90%, of the individual claimants who have filed Proofs of Claim against the Company alleging injury caused by exposure to diacetyl. On July 28, 2010, the Company and HFM, subject to Bankruptcy Court approval, entered into an agreement to settle the diacetyl claims of HFM's clients for a total payment of $50 million. As of this date, the Company has an agreement in principle with the Chartis insurers ("AIG") for reimbursement of a portion of the settlement amount; however, that agreement has not been finalized and is subject to change. The HFM agreement becomes effective upon satisfaction of several conditions, including confirmation of, and the occurence of the effective date of, the Debtors' Plan, and payment is subject to the terms and conditions set forth in the agreement. On July 29, 2010, the Debtors filed a motion in the Bankruptcy Court for an order authorizing the Company to enter into the settlement agreement. The Bankruptcy Court has not yet ruled on that motion which is scheduled for a hearing on August 23, 2010.

The Company expects that its aggregate liability of all diacetyl-related Proofs of Claim not resolved by negotiated settlement will be estimated by the Bankruptcy Court through an estimation proceeding. The estimation proceeding will determine the amount of cash that will be contributed to a reserve held for the benefit of the allowed diacetyl-related claims and distributed in accordance with the Plan. The Bankruptcy Court has scheduled the estimation proceeding for September 8, 2010, and the Debtors expect to submit to the Bankruptcy Court an amended case management order with respect to the proceeding.

The diacetyl claims could, either individually or in the aggregate, have a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company has developed a range of the estimated loss for diacetyl-related claims. As of June 30, 2010, the Company has recorded a liability for the estimated loss related to these claims at the minimum of this range.

Biolab UK

This matter involves a criminal prosecution by United Kingdom (“UK”) authorities against Biolab UK Limited (“Biolab UK”) arising out of a September 4, 2006 fire at Biolab UK’s warehouse in Andoversford Industrial Estate near Cheltenham. The exact cause of the fire has not been determined. In this matter, it is alleged that the fire caused a water main at the warehouse to melt, and that the combination of contaminated fire suppression water and water from the melted water main overloaded the facility’s water containment system, causing that water to flow off the warehouse property and into the River Coln, a public river. The event is alleged to have caused a fish kill and environmental damage. The fire is also alleged to have caused a plume of smoke to travel from the facility, resulting in the evacuation of nearby residences and businesses, as well as a small property damage claim which has been resolved, one property damage claim which is pending and one personal injury claim which is pending. On July 14, 2009, the UK Environmental Agency (“EA”) commenced a criminal action against Biolab UK. The EA brought 5 charges, one charge alleging pollution of controlled waters (the River Coln) in violation of the Water Resources Act 1991 (“WRA”), a strict liability statute, and four charges alleging various violations of the Control of Major Accident Hazards Regulations 1999 (“COMAH”). This matter has been transferred from the Magistrate’s Court in Gloucester County to the Crown Court. A hearing in the Crown Court has been scheduled for September 24, 2010.

On May 14, 2010, the Company pleaded guilty to the WRA charge. Shortly thereafter, the Company indicated to the Court that it will plead guilty to one new COMAH charge, as part of an agreement with the prosecution to no longer pursue the four earlier filed COMAH charges. The Company and the prosecution are currently in discussions to determine areas of agreement and areas of disagreement for presentment to the Court, with the goal of minimizing the overall penalty that may be imposed by the Court. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company’s financial condition, results of operations or cash flows.

Antitrust Investigations and Related Matters

Rubber Chemicals

On May 27, 2004, the Company pled guilty to one-count charging the Company with participating in a combination and conspiracy to suppress and eliminate competition by maintaining and increasing the price of certain rubber chemicals sold in the United States and elsewhere during the period July 1995 to December 2001. The U.S. federal district court imposed a fine of $50 million, payable in six annual installments, without interest, beginning in 2004. In light of the Company’s cooperation with the U.S. Department of Justice (“DOJ”), the court did not impose any period of corporate probation. On May 28, 2004, the Company pled guilty to one count of conspiring to lessen competition unduly in the sale and marketing of certain rubber chemicals in Canada. The Canadian federal court imposed a sentence requiring the Company to pay a fine of CDN $9 million (approximately U.S. $7 million), payable in six annual installments, without interest, beginning in 2004. The Company paid (in U.S. dollars) $2 million in 2005, $7 million in 2006, $12 million in 2007 and $17 million in 2008. On May 26, 2009, the U.S. District Court for the Northern District of California signed a joint stipulation and order modifying the fine and the payment schedule for the final installment of $16 million of the original $50 million due to be paid on May 27, 2009. Under the court’s order, the Company will pay a total of $10 million in four installments: $2.5 million on or before June 30, 2009; $2.5 million on or before December 31, 2009; $2.5 million on or before June 30, 2010; and $2.5 million on or before December 31, 2010. The Company also negotiated an agreement with Canadian authorities whereby the Company would pay a total of CDN $1.8 million (approximately U.S. $1.6 million) in satisfaction of the outstanding amount on the Canadian fine according to the following schedule: CDN $450,000 (approximately U.S. $390,000) on or before June 30, 2009; CDN $450,000 (approximately U.S. $390,000) on or before December 31, 2009; CDN $450,000 (approximately U.S. $390,000) on or before June 30, 2010; and CDN $450,000 (approximately U.S. $390,000) on or before December 31, 2010. After receiving Bankruptcy Court approval, the Company paid the first and second installments totaling $6 million in 2009 and the third installment totaling $3 million in 2010. A reserve of $10 million

at June 30, 2010 and at December 31, 2009 were included in liabilities subject to compromise.

Civil Lawsuits

The actions described below under “U.S. Civil Antitrust Actions” are in various procedural stages of litigation. Although the actions described below have not had a material adverse impact on the Company, the Company cannot predict the outcome of any of those actions. The Company will seek cost-effective resolution of the various pending and threatened legal proceedings against the Company; however, the resolution of any civil claims now pending or hereafter asserted against the Company could have a material adverse effect on the Company’s financial condition, results of operations or cash flows. The Company has established as of June 30, 2010 reserves for all direct and indirect purchaser claims, as further described below.

U.S. Civil Antitrust Actions

Direct and Indirect Purchaser Lawsuits - The Company, individually or together with its subsidiary Uniroyal Chemical Company, Inc., now merged into Chemtura Corporation (referred to as "Uniroyal" for the purpose of the descriptions below), and other companies, are defendants in various proceedings filed in state and federal courts, as described below.

Federal Lawsuits - The Company and certain of its subsidiaries are defendants in two lawsuits pending in the federal courts. One of these suits is a Massachusetts indirect purchaser claim premised upon violations of state law. The suit was originally filed in Massachusetts state court in May 2005 as an indirect purchaser action, and was subsequently removed to the United States District Court, District of Massachusetts. The complaint initially related to purchases of any product containing rubber and urethane products, defined to include EPDM, nitrile rubber and urethanes, but is now limited to urethanes only. On September 12, 2008, the Company received final court approval of a settlement agreement covering this action. The other suit, described separately below under the sub-heading "Bandag," was originally filed as a direct purchaser suit on June 29, 2006 in the United States District Court, Middle District of Tennessee and was subsequently transferred to the United States District Court, Northern District of California. In both of these actions, and in all actions pending in state courts (further described below), the plaintiffs seek, among other things, treble damages, costs (including attorneys' fees) and injunctive relief preventing further violations of the improper conduct alleged in the complaint. Neither of these federal suits is expected to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Bandag - This suit was originally brought by Bridgestone Americas Holding, Inc, Bridgestone Firestone North American Tire, LLC, and Pirelli Tire, LLC (all of whom have since settled) along with the remaining plaintiff, Bandag Incorporated (n/k/a/ Bridgestone Bandag, LLC), with respect to purchases of rubber chemicals from the Company, Uniroyal and several of the world-wide leading suppliers of rubber chemicals. This suit alleges that the Company and Uniroyal, along with other rubber chemical manufacturers, conspired to fix the prices of rubber chemicals, and to divide the rubber chemicals markets in violation of Section 1 of the Sherman Act. Bandag Incorporated, a designer and manufacturer of tire re-treading, directly purchased from the Company and from the other defendants to this suit, and in doing so, claims to have paid artificially inflated prices for rubber chemicals. Bandag has requested treble damages, costs (including attorneys' fees) and such other relief as the court may deem appropriate. The Company agreed to utilize binding arbitration to try the claims at issue in this action. The arbitration hearings were held on March 4 through March 6, 2009. On May 5, 2009, the Bankruptcy Court entered an order modifying the automatic stay to allow the arbitration to proceed in order to liquidate the amount of this pre-petition claim. On July 28, 2009, the arbitration panel issued its decision, awarding Bandag damages in the amount of $8 million and attorneys' fees in the amount of $6 million. On September 4, 2009, the District Court for the Northern District of California confirmed the arbitration panel's award and entered a judgment against the Company in the amount of $14 million. This judgment is subject to compromise in the Company's Chapter 11 cases.

State Lawsuits - The Company, individually or together with Uniroyal, are defendants in certain indirect purchaser antitrust class action lawsuits filed in state courts involving the sale of urethanes and urethane chemicals. The complaints in these actions principally allege that the defendants conspired to fix, raise, maintain or stabilize prices for urethanes and urethane chemicals, sold in the United States in violation of certain antitrust statutes and consumer protection and unfair or deceptive practices laws of the relevant jurisdictions and that this caused injury to the plaintiffs who paid artificially inflated prices for such products as a result of such alleged anticompetitive activities. There are currently 13 state complaints pending. On September 12, 2008, the Company received final court approval of a settlement agreement covering one of these actions. In addition, on December 23, 2008, the Company received preliminary court approval of a settlement agreement covering the remaining 12 complaints, all of which are pending in a coordinated proceeding in the Superior Court of the State of California for the County of San Francisco. None of these state lawsuits individually or in the aggregate are expected to have a material adverse effect on the Company

financial condition, results of operations or cash flows.

Australian Civil Antitrust Matters

On September 27, 2007, the Company and one of its subsidiaries (collectively referred to as the “Company” in this paragraph) as well as Bayer AG and Bayer Australia Ltd. were sued by Wright Rubber Products Pty Ltd. (“Wright”) in the Federal Court of Australia for alleged price fixing violations with respect to the sale of rubber chemicals in Australia. On November 21, 2008, Wright filed an amended Statement of Claim. The Company's application to have the amended Statement of Claim struck was granted on November 6, 2009 and Wright appealed seeking to have that determination reviewed by the full court. The Company also lodged an application to have the proceeding dismissed on the basis that, at this stage, there is no statement of claim before the Federal Court. The matters were heard by the full court on May 24, 2010. On July 13, 2010, the full Federal Court granted Wright’s application for an appeal and provided Wright twenty-one days to file a further amended statement of Claim. The Company intends to assert all meritorious defenses and to aggressively defend this matter. The Company does not expect this matter to have a material adverse effect on its financial condition, results of operations or cash flows.

Federal Securities Class Action

The Company, certain of its former officers and directors (the "Crompton Individual Defendants"), and certain former directors of the Company's predecessor Witco Corp. are defendants in a consolidated class action lawsuit, filed on July 20, 2004, in the United States District Court, District of Connecticut (the "Federal District Court"), brought by plaintiffs on behalf of themselves and a class consisting of all purchasers or acquirers of the Company's stock between October 1998 and October 2002 (the "Federal Securities Class Action"). The consolidated amended complaint principally alleges that the Company and the Crompton Individual Defendants caused the Company to issue false and misleading statements that violated the federal securities laws by reporting inflated financial results resulting from an alleged illegal, undisclosed price-fixing conspiracy. The putative class includes former Witco Corp. shareholders who acquired their securities in the Crompton-Witco merger pursuant to a registration statement that allegedly contained misstated financial results. The complaint asserts claims against the Company and the Crompton Individual Defendants under Section 11 of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. Plaintiffs also assert claims for control person liability under Section 15 of the Securities Act of 1933 and Section 20 of the Securities Exchange Act of 1934 against the Crompton Individual Defendants. The complaint also asserts claims for breach of fiduciary duty against certain former directors of Witco Corp. for actions they allegedly took as Witco Corp. directors in connection with the Crompton-Witco merger. The plaintiffs seek, among other things, unspecified damages, interest, and attorneys' fees and costs. The Company and the Crompton Individual Defendants filed a motion to dismiss the complaint on September 17, 2004 and the former directors of Witco Corp. filed a motion to dismiss the complaint in February 2005. On November 28, 2008, the parties signed a settlement agreement (the "November 2008 Settlement Agreement"). The Federal District Court granted preliminary approval of the November 2008 Settlement Agreement on December 12, 2008 and scheduled a June 12, 2009 final approval hearing which hearing was subsequently rescheduled for November 11, 2009. The November 2008 Settlement Agreement provided for payment by or on behalf of defendants of $21 million.

On September 17, 2009, the Federal District Court entered an order cancelling the final approval hearing of the November 2008 Settlement Agreement due to the automatic stay resulting from Chapter 11 cases. The Federal District Court also denied on December 31, 2009 the motions to dismiss the complaint filed by the Company, the Crompton Individual Defendants and the former directors of Witco Corp. The motions to dismiss were denied without prejudice to renew following resolution of the Chapter 11 cases. In October 2009, the Bankruptcy Court issued an Order authorizing the Company to enter into a settlement stipulation requiring the return of $9 million that the Company transferred to the plaintiffs prior to its Chapter 11 filing in connection with the November 2008 Settlement Agreement (the "Pre-Petition Payment"). The Company entered into such settlement stipulation, and $9 million was returned to the Company. On April 13, 2010, the parties entered into an amended settlement agreement whereby the plaintiffs agreed to accept a total of approximately $11 million to be paid by the Company's insurer in full satisfaction of the Company's obligations pursuant to the settlement and amended settlement agreements. This matter will be resolved as a settlement class action. The settlement is subject to the approval of both the Federal District Court and the Bankruptcy Court. On May 4, 2010, the Bankruptcy Court approved the settlement of the class action. A hearing is currently scheduled in the Federal District Court for August 17, 2010.

Legal Accruals

At June 30, 2010 and December 31, 2009, the Company had accruals for litigation and claims (except for environmental) of $149 million and $125 million, respectively, which were classified as liabilities subject to compromise. The Company periodically reviews its accruals for pending claims and litigation as additional information becomes available, and may adjust its accruals based on actual settlement offers and other later occurring events. As a result of additional information obtained during the second quarter of 2010, the Company reduced accruals for litigation and claims (except for environmental) by $91 million and during the six months ended June 30, 2010, the Company increased accruals for litigation and claims (except for environmental) by $24 million, which were

primarily charged to changes in estimates related to expected allowable claims in the Consolidated Statements of Operations. The Company believes it has substantial insurance coverage with respect to certain of these litigations and claims.

The Company intends to assert all meritorious legal defenses and will pursue other equitable factors that are available with respect to these matters. The resolution of the legal proceedings now pending or hereafter asserted against the Company could require the Company to pay costs or damages in excess of its present estimates, and as a result could, either individually or in the aggregate, have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Other

The Company is routinely subject to other civil claims, litigation and arbitration, and regulatory investigations, arising in the ordinary course of its business, as well as in respect of its divested businesses. Some of these claims and litigations relate to product liability claims, including claims related to the Company's current products and asbestos-related claims concerning premises and historic products of its corporate affiliates and predecessors. The Company believes that it has strong defenses to these claims. These claims have not had a material impact on the Company to date and the Company believes the likelihood that a future material adverse outcome will result from these claims is remote. However, the Company cannot be certain that an adverse outcome of one or more of these claims would not have a material adverse effect on its financial condition, results of operations or cash flows.

Internal Review of Customer Incentive, Commission and Promotional Payment Practices

The Company’s previously disclosed review of various customer incentive, commission and promotional payment practices of the Chemtura AgroSolutionsTM segment (formerly known as Crop Protection Engineered Products) in its Europe, Middle East and Africa region (the “EMEA Region”), has been completed. The review was conducted under the oversight of the Audit Committee of the Board of Directors and with the assistance of outside counsel and forensic accounting consultants. As disclosed previously, the review found evidence of various suspicious payments made to persons in certain Central Asian countries and of activity intended to conceal the nature of those payments. The amounts of these payments were reflected in the Company’s books and records but were not recorded appropriately. In addition, the review found evidence of payments that were not recorded in a transparent manner, including payments that were redirected to persons other than the customer, distributor or agent in the particular transaction. None of these payments were subject to adequate internal control. The Company has strengthened its worldwide internal controls relating to customer incentives and sales agent commissions and enhanced its global policy prohibiting improper payments, which contemplates, among other things, that we monitor our international operations. Such monitoring may require that we investigate allegations of possible improprieties relating to transactions and the way in which such transactions are recorded. The Company has severed its relationship with all of the sales agents and the employees responsible for the suspicious payments no longer are, or by the end of the year no longer will be, employees of the Company. The Company cannot reasonably estimate the nature or amount of monetary or other sanctions, if any, that might be imposed as a result of the review. The Company has concluded that there is no matter connected with the review that would lead to a material change to the financial statements presented in this Quarterly Report on Form 10-Q.

Guarantees

The Company has standby letters of credit and guarantees with various financial institutions. At June 30, 2010 and December 31, 2009, the Company had $35 million and $64 million, respectively, of outstanding letters of credit and guarantees primarily related to its liabilities for environmental remediation, vendor deposits, insurance obligations and European value added tax (VAT) obligations.

The Company has applied the disclosure provisions of ASC Topic 460, Guarantees (“ASC 460”), to its agreements that contain guarantee or indemnification clauses. The Company is a party to several agreements pursuant to which it may be obligated to indemnify a third party with respect to certain loan obligations of joint venture companies in which the Company has 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 February 2015. In the event that any of the joint venture companies were to default on these loan obligations, the Company would indemnify the other party up to its proportionate share of the obligation based upon its ownership interest in the joint venture. At June 30, 2010, the maximum potential future principal and interest payments due under these guarantees were $16 million and $1 million, respectively. In accordance with ASC 460, the Company has accrued $2 million in reserves, which

represents the probability weighted fair value of these guarantees at June 30, 2010. The reserve has been included in long-term liabilities on the Consolidated Balance Sheet at June 30, 2010 with an offset to the investment included in other assets.

The Company also has a customer guarantee, in which the Company has contingently guaranteed certain debt obligations of one of its customers. The amount of this guarantee was $2 million at June 30, 2010 and December 31, 2009. Based on past experience and on the underlying circumstances, the Company does not expect to have to perform under this guarantee.

At June 30, 2010, unconditional purchase obligations were insignificant. Unconditional purchase obligations exclude liabilities subject to compromise as the Company cannot accurately forecast the future level and timing of the repayments given the inherent uncertainties associated with the Chapter 11 cases.