NEWMARKET CORP
Form 10-Q
October 29, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 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 1-32190

NEWMARKET CORPORATION

(Exact name of registrant as specified in its charter)

VIRGINIA	**20-0812170**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
330 SOUTH FOURTH STREET RICHMOND, VIRGINIA	**23218-2189**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code - (804) 788-5000

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

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

Number of shares of common stock, without par value, outstanding as of September 30, 2010: 14,291,122.

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NEWMARKET CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

NEWMARKET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per-share amounts)

(Unaudited)

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
Revenue:				
Net sales - product	$ 468,919	$ 417,832	$ 1,328,170	$ 1,125,881
Rental revenue	2,858	0	8,574	0
	471,777	417,832	1,336,744	1,125,881
Costs:				
Cost of goods sold - product	334,766	274,865	944,968	780,427
Cost of rental	1,089	0	3,245	0
	335,855	274,865	948,213	780,427
Gross profit	135,922	142,967	388,531	345,454
Selling, general, and administrative expenses	35,711	27,618	102,478	83,141
Research, development, and testing expenses	22,719	21,602	65,866	61,448
Operating profit	77,492	93,747	220,187	200,865
Interest and financing expenses	4,465	2,909	12,728	8,704
Other expense, net	5,453	3,804	16,974	15,734
Income before income tax expense	67,574	87,034	190,485	176,427
Income tax expense	21,855	30,347	62,772	60,394
Net income	$ 45,719	$ 56,687	$ 127,713	$ 116,033
Basic earnings per share	$ 3.19	$ 3.73	$ 8.66	$ 7.63
Diluted earnings per share	$ 3.18	$ 3.72	$ 8.64	$ 7.61
Shares used to compute basic earnings per share	14,353	15,208	14,756	15,205

Shares used to compute diluted earnings per share		14,383		15,245		14,788		15,243
Cash dividends declared per common share	$	0.375	$	0.25	$	1.125	$	0.70

See accompanying Notes to the Consolidated Financial Statements.

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NEWMARKET CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Unaudited)

	September 30 2010	December 31 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 50,283	$ 151,831
Short-term investments	300	300
Trade and other accounts receivable, less allowance for doubtful accounts ($717 in 2010 and $1,195 in 2009)	266,513	214,887
Inventories:		
Finished goods	209,077	158,457
Raw materials	46,149	27,269
Stores, supplies and other	6,640	7,177
	261,866	192,903
Deferred income taxes	5,208	4,118
Prepaid expenses and other current assets	17,959	39,100
Total current assets	602,129	603,139
Property, plant and equipment, at cost	980,486	934,382
Less accumulated depreciation and amortization	648,487	631,967
Net property, plant and equipment	331,999	302,415
Prepaid pension cost	5,522	2,430
Deferred income taxes	35,589	34,670
Other assets and deferred charges	55,412	37,475
Intangibles (net of amortization) and goodwill	48,706	45,063
Total assets	$ 1,079,357	$ 1,025,192
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 113,300	$ 88,186
Accrued expenses	67,796	63,775
Dividends payable	4,662	4,992
Book overdraft	2,657	2,230
Long-term debt, current portion	3,038	33,881
Income taxes payable	10,919	4,988
Total current liabilities	202,372	198,052

Long-term debt	234,246	216,200
Other noncurrent liabilities	164,112	152,755
Commitments and contingencies (Note 9)		
Shareholders equity:		
Common stock (without par value) and paid-in capital; authorized shares - 80,000,000; Outstanding shares - 14,291,122 in 2010 and 15,209,989 in 2009	0	275
Accumulated other comprehensive loss	(76,831)	(74,784)
Retained earnings	555,458	532,694
	478,627	458,185
Total liabilities and shareholders equity	$ 1,079,357	$ 1,025,192

See accompanying Notes to the Consolidated Financial Statements.

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NewMarket Corporation and Subsidiaries

Consolidated Statements of Shareholders Equity

(in thousands, except share amounts)

(unaudited)

	Common Stock and Paid in Capital		Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Shareholders Equity
	Shares	Amount			
Balance at December 31, 2008	15,199,207	$ 115	$ (95,750)	$ 386,758	$ 291,123
Comprehensive income:					
Net income				162,283	162,283
Changes in (net of tax):					
Foreign currency translation adjustments			17,816		17,816
Pension plans and other postretirement benefit adjustments:					
Prior service cost			200		200
Unrecognized gain			3,304		3,304
Transition obligation			9		9
Derivative net loss			(363)		(363)
Total comprehensive income					183,249
Cash dividends ($1.075 per share)				(16,347)	(16,347)
Stock options exercised	9,000	40			40
Issuance of stock	1,782	120			120
Balance at December 31, 2009	15,209,989	275	(74,784)	532,694	458,185
Comprehensive income:					
Net income				127,713	127,713
Changes in (net of tax):					
Foreign currency translation adjustments			(2,610)		(2,610)
Pension plans and other postretirement benefit adjustments:					
Prior service cost			190		190
Unrecognized gain			2,707		2,707
Transition obligation			7		7
Derivative net loss			(2,341)		(2,341)
Total comprehensive income					125,666
Cash dividends ($1.125 per share)				(16,396)	(16,396)
Stock options exercised	5,000	21			21
Common stock repurchase	(925,241)	(416)		(88,553)	(88,969)
Issuance of stock	1,374	120			120
Balance at September 30, 2010	14,291,122	$ 0	$ (76,831)	$ 555,458	$ 478,627

See accompanying Notes to the Consolidated Financial Statements.

NEWMARKET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30	
	2010	**2009**
Cash and cash equivalents at beginning of year	$ 151,831	$ 21,761
Cash flows from operating activities:		
Net income	127,713	116,033
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and other amortization	27,831	23,485
Amortization of deferred financing costs	1,124	887
Noncash environmental remediation and dismantling	2,198	4,025
Noncash pension benefits expense	10,235	10,147
Noncash postretirement benefits expense	2,123	1,982
Noncash foreign exchange (gain) loss	(469)	551
Deferred income taxes	(5,893)	(19,491)
Loss on derivative instruments, net	17,556	16,049
Working capital changes	(61,212)	67,285
Cash pension benefits contributions	(14,188)	(17,308)
Cash postretirement benefits contributions	(1,368)	(1,005)
Other, net	(750)	(8,023)
Cash provided from operating activities	104,900	194,617
Cash flows from investing activities:		
Capital expenditures	(23,097)	(26,506)
Foundry Park I capital expenditures	(2,046)	(40,403)
Purchase of short-term investment	0	(300)
Acquisition of business (net of cash acquired of $1.8 million)	(41,300)	0
Payments on settlement of interest rate swap	(2,574)	0
Receipts from settlement of interest rate swap	135	0
Deposits for interest rate swap	(34,440)	(29,900)
Return of deposits for interest rate swap	17,860	9,930
Deposits for interest rate lock agreement	0	(5,000)
Return of deposits for interest rate lock agreement	0	15,500
Cash used in investing activities	(85,462)	(76,679)
Cash flows from financing activities:		
Repayment of Foundry Park I construction loan	(99,102)	0
Borrowing under Foundry Park I mortgage loan	68,400	0
Repayment on Foundry Park I mortgage loan	(1,474)	0
Draws on Foundry Park I construction loan	0	41,735
Net borrowings (repayments) under revolving credit agreement	20,000	(41,900)
Repurchases of common stock	(88,969)	0

Dividends	(16,396)	(10,644)
Change in book overdraft	427	1,897
Payment for financed intangible asset	(750)	(750)
Debt issuance costs	(1,524)	(412)
Proceeds from exercise of stock options	21	31
Payments on capital leases	(621)	(584)
Cash used in financing activities	(119,988)	(10,627)
Effect of foreign exchange on cash and cash equivalents	(998)	4,698
(Decrease) increase in cash and cash equivalents	(101,548)	112,009
Cash and cash equivalents at end of period	$ 50,283	$ 133,770

See accompanying Notes to the Consolidated Financial Statements.

NEWMARKET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Financial Statement Presentation

In the opinion of management, the accompanying consolidated financial statements of NewMarket Corporation and its subsidiaries contain all necessary adjustments for the fair presentation of, in all material respects, our consolidated financial position and shareholders equity for the nine months ended September 30, 2010 and the year ended December 31, 2009, as well as our consolidated results of operations for the third quarter and nine months ended September 30, 2010 and September 30, 2009, and cash flows for the nine months ended September 30, 2010 and September 30, 2009. All adjustments are of a normal, recurring nature, unless otherwise disclosed. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the NewMarket Corporation Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Annual Report), as filed with the Securities and Exchange Commission (SEC). The results of operations for the nine month period ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year ending December 31, 2010. The December 31, 2009 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Unless the context otherwise requires, all references to we, us, our, the Company and NewMarket are to NewMarket Corporation and its consolidated subsidiaries.

Certain amounts in the accompanying financial statements have been reclassified to conform to the current presentation. There was no effect on net income.

At both September 30, 2010 and December 31, 2009, we had a book overdraft for some of our disbursement cash accounts. A book overdraft represents transactions that have not cleared the bank accounts at the end of the reporting period. There are no agreements with the same banks to offset the presented balance. We transfer cash on an as-needed basis to fund these items as they clear the bank in subsequent periods.

Cash dividends totaling $1.125 per share for the nine months ended September 30, 2010 and 70 cents per share for the nine months ended September 30, 2009 were declared and paid as shown in the table below.

Year	Date Declared	Date Paid	Per Share Amount
2010	February 18, 2010	April 1, 2010	37.5 cents
	April 22, 2010	July 1, 2010	37.5 cents
	July 21, 2010	October 1, 2010	37.5 cents
2009	February 19, 2009	April 1, 2009	20 cents
	April 23, 2009	July 1, 2009	25 cents
	July 30, 2009	October 1, 2009	25 cents

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2. Acquisition of Business

On March 5, 2010, Afton Chemical Corporation (Afton) completed the acquisition of 100% of the Polartech group of companies (Polartech) for $43.1 million in cash. Polartech is a global company specializing in the supply of metalworking additives. The acquisition agreement included all physical assets of the Polartech business including the headquarters, research and development, and manufacturing facilities in the United Kingdom, as well as manufacturing sites in India, China, and the United States.

We performed a valuation of the assets acquired to determine the purchase price allocation. This valuation resulted in the recognition of $6 million of identifiable intangibles, including formulas and technology, customer base, and trademarks/trade names. We also acquired property, plant, and equipment of $28.4 million, as well as working capital.

As part of the acquisition, we recorded $4.2 million of goodwill, which resulted from deferred taxes which were recognized related to the acquisition. All of the goodwill recognized is part of the petroleum additives segment, and none is deductible for tax purposes.

Pro forma consolidated results of operations for the nine months ended September 30, 2010 and September 30, 2009 assuming the acquisition had occurred on January 1, 2010 or January 1, 2009, would not be materially different from the actual results reported for NewMarket Corporation for the nine months ended September 30, 2010 and September 30, 2009.

3. Asset Retirement Obligations

Our asset retirement obligations are related primarily to our tetraethyl lead (TEL) operations. The following table illustrates the activity associated with our asset retirement obligations for the nine months ended September 30, 2010 and September 30, 2009.

	2010	**2009**
	(in thousands)	
Asset retirement obligations, January 1	$ 3,031	$ 3,009
Liabilities incurred	0	2,000
Accretion expense	107	135
Liabilities settled	0	(1,539)
Changes in expected cash flows and timing	(110)	(526)
Asset retirement obligations, September 30	$ 3,028	$ 3,079

4. Segment Information

The tables below show our consolidated revenue, operating profit (including a reconciliation of segment operating profit to consolidated income before income taxes), and depreciation and amortization.

The All other category includes the operations of the TEL business, as well as certain contract manufacturing Ethyl Corporation (Ethyl) provides to Afton and to third parties.

Consolidated Revenue by Segment

(in millions)

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Petroleum additives	$ 465.1	$ 413.7	$ 1,319.4	$ 1,116.7
Real estate development	2.9	0.0	8.6	0.0
All other	3.8	4.1	8.7	9.2
Consolidated revenue	$ 471.8	$ 417.8	$ 1,336.7	$ 1,125.9

Segment Operating Profit

(in millions)

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Petroleum additives	$ 80.0	$ 96.3	$ 227.0	$ 214.0
Real estate development	1.8	(0.2)	5.3	(0.5)
All other	1.2	1.2	3.2	(0.8)
Segment operating profit	83.0	97.3	235.5	212.7
Corporate, general, and administrative expenses	(5.6)	(3.3)	(14.5)	(12.1)
Interest and financing expenses	(4.5)	(2.9)	(12.7)	(8.7)
Loss on interest rate swap agreement (a)	(5.5)	(3.8)	(17.6)	(15.7)
Other income (expense), net	0.2	(0.3)	(0.2)	0.2
Income before income taxes	$ 67.6	$ 87.0	$ 190.5	$ 176.4

(a) The loss on the interest rate swap agreement represents the change, since the beginning of the reporting period, in the fair value of an interest rate swap which we entered into on June 25, 2009. We are not using hedge accounting to record the interest rate swap, and accordingly, any change in the fair value is immediately recognized in earnings.

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Segment Depreciation and Amortization

(in millions)

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
Petroleum additives	$ 8.9	$ 7.6	$ 24.0	$ 22.4
Real estate development	0.9	0.0	2.8	0.1
All other	0.7	0.6	2.2	1.9
Total depreciation and amortization	$ 10.5	$ 8.2	$ 29.0	$ 24.4

5. Pension and Postretirement Benefit Plans

During the nine months ended September 30, 2010, we made cash contributions of approximately $9.5 million for domestic pension plans and approximately $1.2 million for domestic postretirement benefit plans. We expect to make total cash contributions in 2010 of approximately $13.9 million for our domestic pension plans and approximately $1.7 million for our domestic postretirement benefit plans.

We made cash contributions of approximately $4.7 million for our foreign pension plans and approximately $130 thousand for a foreign postretirement benefit plan during the nine months ended September 30, 2010. During 2010, we expect to make total cash contributions of approximately $6.4 million for our foreign pension plans and approximately $170 thousand for our foreign postretirement benefit plan.

The tables below present information on periodic benefit cost for our pension and postretirement benefit plans.

	Domestic			
	Pension Benefits		Postretirement Benefits	
	Third Quarter Ended September 30			
	2010	2009	2010	2009
	(in thousands)			
Service cost	$ 1,777	$ 1,493	$ 367	$ 260
Interest cost	2,185	2,041	761	806
Expected return on plan assets	(2,521)	(2,301)	(405)	(388)
Amortization of prior service cost	156	72	2	1
Amortization of net loss (gain)	869	672	(208)	(169)
Net periodic benefit cost	$ 2,466	$ 1,977	$ 517	$ 510

	Domestic			
	Pension Benefits		Postretirement Benefits	
	Nine Months Ended September 30			
	2010	2009	2010	2009
	(in thousands)			
Service cost	$ 5,066	$ 4,290	$ 1,002	$ 814
Interest cost	6,420	5,951	2,457	2,556
Expected return on plan assets	(7,267)	(6,444)	(1,220)	(1,226)
Amortization of prior service cost	219	217	7	6
Amortization of net loss (gain)	2,528	1,927	(329)	(340)
Net periodic benefit cost	$ 6,966	$ 5,941	$ 1,917	$ 1,810

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	Foreign			
	Pension Benefits		Postretirement Benefits	
	Third Quarter Ended September 30			
	2010	2009	2010	2009
	(in thousands)			
Service cost	$ 749	$ 673	$ 6	$ 3
Interest cost	1,333	1,321	36	37
Expected return on plan assets	(1,336)	(1,024)	0	0
Amortization of prior service cost	22	19	0	0
Amortization of transition (asset) obligation	(9)	(9)	13	12
Amortization of net loss	314	434	13	9
Net periodic benefit cost	$ 1,073	$ 1,414	$ 68	$ 61

	Foreign			
	Pension Benefits		Postretirement Benefits	
	Nine Months Ended September 30			
	2010	2009	2010	2009
	(in thousands)			
Service cost	$ 2,275	$ 1,904	$ 19	$ 9
Interest cost	4,036	3,732	109	104
Expected return on plan assets	(4,026)	(2,880)	0	0
Amortization of prior service cost	65	53	0	0
Amortization of transition (asset) obligation	(28)	(25)	38	34
Amortization of net loss	947	1,224	40	25
Settlement loss	0	198	0	0
Net periodic benefit cost	$ 3,269	$ 4,206	$ 206	$ 172

In March 2010, the Patient Protection and Affordable Care Act was signed into law, as was a related reconciliation bill. Included in the provisions of the laws are changes to the taxation related to the federal subsidy available to companies that provide retiree healthcare benefit plans that include a benefit that is at least actuarially equivalent to the benefits of Medicare Part D. Our retiree medical plan does include a drug subsidy benefit that is actuarially equivalent to Medicare Part D. However, we are not impacted by the changes in the taxation of the federal subsidy, as we assigned the subsidy to our insurance provider several years ago in consideration of premium determination. At the time we assigned the benefit to our insurance provider, we adjusted our deferred taxes accordingly. We are currently evaluating all of the provisions of the law and its impact on our company but have made no adjustments to our financial statements as a result of the legislation.

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6. Earnings Per Share

Basic and diluted earnings per share are calculated as shown in the table below. Options are not included in the computation of diluted earnings per share when the option exercise price exceeds the average market price of the underlying common share, as the impact on earnings per share would be anti-dilutive. We had no anti-dilutive options that were excluded from the calculation of earnings per share for any period presented.

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
	(in thousands, except per-share amounts)			
Basic earnings per share				
Numerator:				
Net income	$ 45,719	$ 56,687	$ 127,713	$ 116,033
Denominator:				
Weighted-average number of shares of common stock outstanding	14,353	15,208	14,756	15,205
Basic earnings per share	$ 3.19	$ 3.73	$ 8.66	$ 7.63
Diluted earnings per share				
Numerator:				
Net income	$ 45,719	$ 56,687	$ 127,713	$ 116,033
Denominator:				
Weighted-average number of shares of common stock outstanding	14,353	15,208	14,756	15,205
Shares issuable upon exercise of stock options	30	37	32	38
Total shares	14,383	15,245	14,788	15,243
Diluted earnings per share	$ 3.18	$ 3.72	$ 8.64	$ 7.61

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7. Intangibles (net of amortization) and goodwill

The following table provides certain information related to our intangible assets. All of the intangibles relate to the petroleum additives segment.

	Identifiable Intangibles			
	September 30 2010		December 31 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in thousands)			
Amortizing intangible assets				
Formulas and technology	$ 91,487	$ 62,673	$ 88,687	$ 58,700
Contracts	16,380	9,009	16,380	6,939
Customer base	7,040	1,117	5,440	666
Trademarks and trade name	1,600	93	0	0
Goodwill	5,091	0	861	0
	$ 121,598	$ 72,892	$ 111,368	$ 66,305

The increase in intangible assets and goodwill since December 31, 2009 was the result of the purchase of Polartech.

Amortization expense was (in millions):

Third quarter ended September 30, 2010	$2.2
Nine months ended September 30, 2010	$6.6
Third quarter ended September 30, 2009	$2.2
Nine months ended September 30, 2009	$6.8

Currently, estimated annual amortization expense related to our intangible assets for the next five years is expected to be (in millions):

2010	$8.8
2011	$8.6
2012	$7.4
2013	$7.1
2014	$6.2

Generally, we amortize the cost of the customer base intangible by an accelerated method and the cost of the remaining intangible assets by the straight-line method over their estimated economic lives. We generally amortize contracts over 1.5 to 10 years and formulas and technology over 5 to 20 years. Trademarks and the trade name are amortized over 10 years.

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8. Long-term Debt

Long-term debt consisted of:

	September 30 2010	December 31 2009
	(in thousands)	
Senior notes - 7.125% due 2016	$ 150,000	$ 150,000
Foundry Park I mortgage loan - due 2015	66,926	0
Revolving credit facility	20,000	0
Foundry Park I construction loan - due 2010	0	99,102
Capital lease obligations	358	979
	237,284	250,081
Current maturities of long-term debt	(3,038)	(33,881)
	$ 234,246	$ 216,200

We had outstanding borrowings under our revolving credit facility of $20.0 million at September 30, 2010 at an interest rate of 4.75%. We had no outstanding borrowings on the revolving credit facility at December 31, 2009. We had outstanding letters of credit of $8.8 million at September 30, 2010, resulting in the unused portion of the revolving credit facility amounting to $121.2 million.

On January 28, 2010, Foundry Park I entered into a mortgage loan agreement in the amount of $68.4 million. The loan, which is collateralized by the Foundry Park I office building, is for a period of five years, with two thirteen-month extension options. NewMarket Corporation is fully guaranteeing the loan. The mortgage loan bears interest at a variable rate of LIBOR plus a margin of 400 basis points, with a minimum LIBOR of 200 basis points. At September 30, 2010, the interest rate was 4.26%. Concurrently with the closing of the mortgage loan, Foundry Park I obtained an interest rate swap to effectively convert the variable interest rate of the loan to a fixed interest rate by setting LIBOR at 2.642% for five years. Further information on the interest rate swap is in Note 10. Principal payments on the loan are being made monthly based on a 15-year amortization schedule, with all remaining amounts due in five years, unless we exercise the extension options. On January 29, 2010, we paid off the outstanding balance of $99.1 million on the Foundry Park I construction loan with proceeds of $68.4 million from the Foundry Park I mortgage loan agreement, as well as cash on hand of $30.7 million.

We were in compliance with all covenants under our debt agreements at September 30, 2010 and December 31, 2009.

9. Contractual Commitments and Contingencies

There have been no significant changes in our contractual commitments and contingencies from those reported in our 2009 Annual Report on Form 10-K in Note 19. The information below provides information on certain contractual commitments and contingencies.

Litigation

We are involved in legal proceedings that are incidental to our business and include administrative or judicial actions seeking remediation under environmental laws, such as Superfund. Some of these legal proceedings relate to environmental matters and involve governmental authorities. For further information, see Environmental below.

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While it is not possible to predict or determine with certainty the outcome of any legal proceeding, we believe the outcome of any of these proceedings, or all of them combined, will not result in a material adverse effect on our consolidated financial condition or results of operations.

Environmental

During 2000, the U.S. Environmental Protection Agency (EPA) named us as a potentially responsible party (PRP) under Superfund law for the clean-up of soil and groundwater contamination at the Sauget Area 2 Site in Sauget, Illinois. Without admitting any fact, responsibility, fault, or liability in connection with this site, we are participating with other PRPs in site investigations and feasibility studies.

The Sauget Area 2 Site PRPs received notice of approval from the EPA of their October 2009 Human Health Risk Assessment. Additionally, the PRPs have submitted their Feasibility Study (FS) to the EPA Remedy Review Board. We have accrued our estimated proportional share of the expenses for the FS, as well as our best estimate of our proportional share of the remediation liability proposed in our ongoing discussions and submissions with the agencies involved. We do not believe there is any additional information available as a basis for revision of the liability that we have established. The amount currently accrued for this site is not material.

At a former TEL plant site located in Louisiana, we have completed significant environmental remediation, although we will be monitoring and treating the site for an extended period. The accrual for this site was $6.9 million at September 30, 2010 and $7.5 million at December 31, 2009. We based these amounts on the best estimate of future costs discounted at approximately 3% in both 2010 and 2009. An inflation factor is included in the estimate. The undiscounted liability was $9.0 million at September 30, 2010 and $9.7 million at December 31, 2009. The expected payments over the next five years amount to approximately $800 thousand in each of 2010 and 2011, $700 thousand in 2012, $500 thousand in 2013, and $600 thousand in 2014. Expected payments thereafter amount to approximately $6.2 million.

At a plant site in Houston, Texas, we have accruals of $7.8 million at September 30, 2010 and $7.9 million at December 31, 2009 for environmental remediation, dismantling, and decontamination. Included in these amounts are $7.5 million at September 30, 2010 and $7.6 million at December 31, 2009 for remediation. Of the total remediation, $7.2 million at both September 30, 2010 and December 31, 2009 relates to remediation of groundwater and soil. The accruals for this site are discounted at approximately 3% at both September 30, 2010 and December 31, 2009. The accruals include an inflation factor. The undiscounted accrual for this site was $11.4 million at September 30, 2010 and $11.2 million at December 31, 2009. The expected payments over the next five years are approximately $400 thousand in 2010, $500 thousand in each of 2011 and 2012, $600 thousand in 2013, and $1.7 million in 2014. Expected payments thereafter amount to approximately $7.9 million.

At a Superfund site in Louisiana, we have an accrual of $2.0 million at September 30, 2010 and $2.6 million at December 31, 2009 for environmental remediation. The accrual for this site was discounted at approximately 3% at both September 30, 2010 and December 31, 2009 and included an inflation factor. The undiscounted accrual for this site was $2.5 million at September 30, 2010 and $3.2 million at December 31, 2009. The expected payments over the next five years amount to approximately $400 thousand in each of 2010 and 2011, and $200 thousand each for years 2012 through 2014. Expected payments thereafter amount to approximately $1.8 million.

The remaining environmental liabilities are not discounted.

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We accrue for environmental remediation and monitoring activities for which costs can be reasonably estimated and are probable. These estimates are based on an assessment of the site, available clean-up methods, and prior experience in handling remediation. While we believe we are currently fully accrued for known environmental issues, it is possible that unexpected future costs could have a significant impact on our financial position and results of operations.

Our total accruals for environmental remediation were approximately $21.6 million at September 30, 2010 and $22.0 million at December 31, 2009. In addition to the accruals for environmental remediation, we also have accruals for dismantling and decommissioning costs of $500 thousand at both September 30, 2010 and December 31, 2009.

Letters of Credit and Guarantees

We have outstanding guarantees with several financial institutions in the amount of $53.4 million at September 30, 2010. The guarantees are secured by letters of credit, as well as cash collateral. A portion of these guarantees is unsecured. The outstanding letters of credit amounted to $8.8 million at September 30, 2010, all of which were issued under the letter of credit sub-facility of our revolving credit facility. The letters of credit primarily relate to insurance guarantees and performance guarantees. We renew letters of credit as necessary. The remaining amounts represent additional performance, lease, custom and excise tax guarantees, as well as a cash deposit of $31.9 million related to the Goldman Sachs Bank USA (Goldman Sachs) interest rate swap. The cash deposit is recorded in Other assets and deferred charges on the Consolidated Balance Sheet. Expiration dates of the letters of credit and certain guarantees range from 2010 to 2013. Some of the guarantees have no expiration date.

We cannot estimate the maximum amount of potential liability under the guarantees. However, we accrue for potential