

CHILDRENS PLACE RETAIL STORES INC

Form 10-Q

December 05, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 29, 2006

**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 0-23071

THE CHILDREN S PLACE RETAIL STORES, INC.

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of
Incorporation or organization)

31-1241495

(I.R.S. employer
identification number)

915 Secaucus Road

Secaucus, New Jersey
(Address of Principal Executive Offices)

07094

(Zip Code)

(201) 558-2400

(Registrant's Telephone Number, Including Area Code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of an accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's common stock with a par value of \$0.10 per share, as of October 6, 2007 was 29,083,916 shares.

THE CHILDREN S PLACE RETAIL STORES, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE PERIOD ENDED JULY 29, 2006

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EXPLANATORY NOTE

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The Children's Place Retail Stores, Inc. (the Company) is restating its condensed consolidated financial statements to reflect additional stock-based compensation expense relating to stock option grants made in each year from the fiscal year ended January 31, 1998 (fiscal 1997) through the first quarter of fiscal year ended February 3, 2007 (fiscal 2006). The Company also is restating its financial statements for all periods beginning with the fiscal year ended February 2, 2002 (fiscal 2001) through the first quarter of fiscal 2006 to reflect the correction of other errors related to personal property taxes and certain accrual accounts and reserves, including those related to occupancy costs for the Company's 52- and 53-week fiscal years. This Quarterly Report on Form 10-Q for the thirteen and twenty-six weeks ended July 29, 2006 reflects the restatement of the Company's consolidated balance sheets as of January 28, 2006 (fiscal 2005) and July 30, 2005, the related consolidated statements of income for the thirteen and twenty-six weeks ended July 30, 2005 and the related consolidated statement of cash flows for the twenty-six weeks ended July 30, 2005. Restated financial information for these periods is set forth in Note 2 Restatement of Consolidated Financial Statements in the unaudited condensed consolidated financial statements included in Item 1 of this report.

The Company has not amended and does not intend to amend its previously filed Annual Report on Form 10-K for fiscal 2005 or any other fiscal year or its previously filed Quarterly Reports on Form 10-Q for the first quarter of fiscal 2006 or the first two quarters of fiscal 2005 or any other fiscal quarter. The financial information that has been previously filed or otherwise reported for these periods is superseded by the information in this Quarterly Report on Form 10-Q and the quarterly and annual reports on Form 10-Q and 10-K, respectively, being filed concurrently with this Quarterly Report on Form 10-Q. Accordingly, as previously stated by the Company, the financial statements and related financial information contained in such previously filed reports should no longer be relied upon.

The aggregate impact of the stock-based compensation adjustments on the Company's consolidated statements of income, net of forfeitures of unvested awards and taxes, between the fiscal year ended January 30, 1999 (fiscal 1998) and the first quarter of fiscal 2006 was a decrease in net income of approximately \$11.2 million. The aggregate impact of the other adjustments unrelated to stock options on the Company's consolidated statements of income, net of taxes, between fiscal 2001 and the first quarter of fiscal 2006 was an increase to net income of approximately \$1.7 million. Additionally, variable rate demand note balances as of April 29, 2006 have been reclassified from cash to short-term investments, and certain other balance sheet amounts have been reclassified. These reclassifications do not result in any additional charges in any period and do not affect working capital for the affected periods.

On September 8, 2006, December 8, 2006, April 5, 2007 and June 15, 2007, the Company filed notifications of late filings with the Securities and Exchange Commission (SEC) on Form 12b-25, disclosing that, due to an ongoing investigation of its stock option granting practices, it was delaying the filing of its Quarterly Reports on Form 10-Q for the second and third quarters of fiscal 2006, its Annual Report on Form 10-K for fiscal 2006, and its Quarterly Report on Form 10-Q for the first quarter of the fiscal year ending February 2, 2008 (fiscal 2007), respectively. In addition, on September 14, 2007, the Company filed another notification of late filing with the SEC on Form 12b-25, disclosing that the Company's Board of Directors (Board) was reviewing circumstances surrounding certain violations of the Company's policies and procedures by two executives of the Company and was considering the appropriate actions to take regarding these matters and, therefore, the Company would be delaying the filing of its Quarterly Report on Form 10-Q for the second quarter of fiscal 2007. The Company is filing its Quarterly Report on Form 10-Q for the third quarter of fiscal 2006 and its Annual Report on Form 10-K for fiscal 2006 with the SEC concurrently with this Quarterly Report on Form 10-Q. The Company intends, in the near future, to file its Quarterly Reports on Form 10-Q for the first and second quarters of fiscal 2007.

Mr. Ezra Dabah resigned from his position as the Company's Chief Executive Officer (CEO), for various reasons, on September 24, 2007. Mr. Dabah remains a member of the Board of Directors (the Board). The Board has named Mr. Charles Crovitz, a current Board member, as interim CEO.

STOCK OPTION INVESTIGATION

Overview of the Investigation

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In light of various media reports on stock option backdating at public companies and as recommended by the Audit Committee of the Company's Board, the Company undertook a preliminary review of its stock option granting practices starting in June 2006. After considering the results of this preliminary review, on August 24, 2006, the Audit Committee retained the Company's outside counsel (Outside Counsel) to assist it

with a formal review of the Company's stock option grants. On September 6, 2006, Outside Counsel issued to the Audit Committee a preliminary report concluding that there had been errors in the grant dates of options. The report also concluded that, aside from one grant as to which the report was inconclusive, the errors in stock option dating were unintentional. The Company announced the preliminary report and that, pending completion of its analysis of its accounting for stock option grants, the Company was delaying the filing of its Quarterly Report on Form 10-Q for the second quarter of fiscal 2006. The review of the Company's stock option grants continued and expanded into a full investigation. On or about September 14, 2006, the Company suspended all stock-based compensation activity, including granting stock options and other stock-based compensation and issuing shares pursuant to stock option exercises, pending completion of the review and the Company becoming current on its delinquent filings with the SEC.

In October 2006, the Audit Committee retained separate independent counsel that had not previously represented the Company (Independent Counsel) to advise the Audit Committee regarding the matters under investigation and a forensic accounting consulting firm was retained to assist in the investigation. On October 5, 2006, the Company announced that it expected to restate its financial statements and on October 11, 2006, the Company filed with the SEC a Current Report on Form 8-K disclosing that, because of issues with regard to its accounting for stock option grants, the Company's previously issued financial statements and other historical financial information and related disclosures for periods through the first quarter of fiscal 2006 should no longer be relied upon. On November 24, 2006, a two-member special committee of independent members of the Company's Board (Special Committee) was appointed by the Company's Board to supervise and complete the investigation commenced by the Audit Committee. On December 8, 2006 the Company filed a Form 12b-25 with the SEC disclosing that due to the ongoing investigation it was delaying the filing of its Quarterly Report on Form 10-Q for the third quarter of fiscal 2006.

During the period from September 17, 1997 (the day before the Company first became publicly held) through the most recent grant in February 2006 (Review Period), separate option grant authorizing actions were undertaken by the Company on 122 occasions. For convenience of reference, each of these occasions is referred to herein as a Recorded Grant (regardless of the number of people who received an option award on such occasion or any variations in terms of the awards so granted). At the request of Independent Counsel, the forensic accounting firm conducted an empirical assessment of all stock option grants during the Review Period to identify grants that might warrant further investigation. Using various statistical tests, twenty Recorded Grants were selected for detailed investigation, plus one additional Recorded Grant to a family member of the Company's former CEO. Overall, the investigation involved interviews of fourteen people, representing all the individuals involved in any material respect in the option granting process, and the review of tens of thousands of paper and electronic documents from the files (including office and personal computers) of such individuals and others and from other Company files (including e-mails and other documents recovered from the Company's electronic information system). A grant made to the Company's former CEO, Mr. Ezra Dabah, in connection with the Company's initial public offering of its shares (1997 CEO IPO Grant) also was subsequently investigated by Independent Counsel. As noted below, on September 24, 2007, Mr. Dabah resigned from his position as the Company's CEO, and Mr. Charles Crovitz, an independent Board member, was appointed interim CEO.

Findings of the Stock Option Investigation

On January 30, 2007, the Special Committee delivered its written report of investigation including recommendations (Report of Investigation) to the Board. The Board accepted the report and resolved to adopt the Special Committee's recommendations and to take the actions necessary to implement them. Key findings of the Report of Investigation, as disclosed in a Current Report on Form 8-K filed with the SEC on February 1, 2007, included:

There was no conclusive evidence of intentional backdating of options or other misconduct in connection with the option granting process. There was no evidence of intent to mislead about option grant dates or exercise prices.

No member of management and no director engaged in improper self-dealing in connection with the option grants made by the Company.

All Company personnel cooperated fully with the investigation.

The Company did not maintain appropriate governance and other internal controls, which resulted in errors in the dating of options and other irregularities in option grants. In many instances options were dated before all grant-making processes were finalized. Consequently, in such instances the option exercise price was lower than it should have been based on the trading price on the date the grant process was completed and incorrect charges were taken for the options for financial reporting purposes. Also, in a few instances, the Company may have selected grant dates with a view toward upcoming disclosures.

The Report of Investigation further concluded that, apart from some immaterial discrepancies in grants to non-executives representing less than 1.5% of the number of shares subject to options issued over the Review Period, there were no unauthorized grants. This conclusion was based on a comparison by the Company of its grant authorizing documentation to the Company's records of options issued, which correctly reflected the documented and authorized grants in terms of who received option grants and the number of options granted. However, subsequent to the Report of Investigation being issued, it was determined that certain unauthorized actions were taken in May 2004 relating to the 1997 CEO IPO Grant. These actions were ratified by the Board in 2007.

During the Review Period, the Company used the effective date reflected in its grant approval documentation as the grant date and in its accounting for option grants used such date as the measurement date under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). In many instances that date was an as of date on a unanimous written consent (UWC) of the Board or the Compensation Committee. Since the Company believed options were granted with exercise prices that equaled or exceeded their quoted market price at the date of grant, no compensation expense was recorded in the Company's financial statements for options granted prior to its adoption of Statement of Financial Accounting Standards No. 123 (Revised 2004), Accounting for Share-Based Payments (SFAS 123(R)) as of January 29, 2006, other than in connection with the acceleration of the vesting of options in fiscal 2005 and the acceleration of the vesting of options related to a terminated employee. However, the Report of Investigation concluded that, as a result of the inadequacy of the Company's governance, internal financial reporting and other controls over the option grant process, the measurement dates used by the Company for a significant portion of the stock options granted during the Review Period were incorrect, as the recipients of the grants, number of shares subject to the options granted and exercise prices were not approved and established with finality by the date the Company had recorded as the grant date.

The Company used available documentation and guidance set forth by the Office of the Chief Accountant of the SEC on September 19, 2006 (September 2006 OCA Guidance) to determine the revised measurement dates for option grants made during the Review Period. For a discussion of the Company's historical stock option granting process and use of available information to determine the revised measurement dates, refer to Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Restatement of Financial Statements and Note 2 Restatement of Consolidated Financial Statements in the accompanying unaudited condensed consolidated financial statements.

After completion of the Report of Investigation, the Company in reviewing its accounting for options became aware of certain inconsistencies in its records concerning the terms of the options included in the 1997 CEO IPO Grant. Under the direction of the Special Committee, Independent Counsel investigated the Company's treatment of these options and reported thereon to the Special Committee. On April 11, 2007, the Special Committee reported to the Board on the 1997 CEO IPO Grant. Based on the evidence assembled in Independent Counsel's investigation, the Special Committee found that there had been confusion, resulting in inconsistencies in the Company records, in connection with the implementation of the 1997 CEO IPO Grant and over the years with regard to the terms of this grant. In considering the results of the investigation into the 1997 CEO IPO Grant, the Special Committee reconsidered the key findings it had reached in the Report of Investigation, as described above, and concluded that the evidence from the additional investigation did not lead it to different findings. The Board concurred in this conclusion.

Inadequate Internal Controls

The Company is undertaking to remediate the material weakness in internal control over financial reporting related to stock option grants found by the Special Committee, as further discussed in Item 4. Controls and Procedures of this Quarterly Report on Form 10-Q. The Company has continued its suspension of the granting of all stock-based compensation, including the granting of stock options, as well as the exercise of any options, until these improved procedures have been instituted. Furthermore, the suspension of granting and exercise of stock options will continue until the Company becomes current with its SEC filings.

Resolution of Tax Consequences and Corrective Action Related to Discounted Options

Revision to the measurement dates of stock options often resulted in options with exercise prices below the fair market value of the related shares on the revised measurement date (discounted options). Individuals currently holding discounted options may incur an excise tax liability under Section 409A of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). As recommended by the Special Committee, in order to avoid any benefit from the errors made in dating of options to any person involved in the option granting process and, also, as part of the Company's efforts to address certain tax considerations associated with outstanding options granted with an exercise price below fair market value, the Company has taken the following actions:

The Company and its directors (including Mr. Dabah, its former CEO), its President and its former Chief Administrative Officer have agreed to amend all discounted options held by them (other than those described in the next paragraph) to increase the exercise price to the average of the high and low trading price on the date determined by the Company to be the revised measurement date applicable to the option grant to be used for financial reporting purposes. In the few instances where these individuals have exercised options as to which a revised measurement date has been determined by the Company, the individuals have agreed to return to the Company the difference between the exercise price and the trading price on the revised measurement date.

In the three instances where the Report of Investigation found that non-executive directors received options shortly before the public disclosure of positive information, the Company and these directors have further agreed to amend such options to increase the exercise price to the average of the high and low trading price over the balance of the calendar year following the recorded date of the grant.

With respect to all other option grants, the Company has decided to honor the options as issued, consistent with the Special Committee's finding of no intentional misconduct on the part of management in the option granting process. Nevertheless, the Company and all members of senior management holding outstanding options have agreed to amend their outstanding discounted options that vested after 2004 either to increase the exercise price to the average of the high and low trading price on the date determined by the Company to be the revised measurement date or to limit the exercise period of their options.

In addition, with respect to holders of discounted options that vested after 2004 who are employees at the time, other than members of senior management who have already agreed to amend their outstanding discounted options, the Company plans to offer as soon as practicable the opportunity to exchange their discounted options for options with the same terms except that the exercise price will be changed to the average of the high and low trading price on the revised measurement date. Option holders who agree to such amendment will receive a cash bonus in the amount of the increase in the exercise price.

The foregoing actions are expected to bring all outstanding options held by employees and non-employee directors into compliance with pertinent requirements relating to discounted options so that the 20% excise tax under Section 409A of the Internal Revenue Code does not apply to the options. To the extent such discounted options were exercised during fiscal 2006, the Company expects to bear the liability for, and has accrued during fiscal 2006, an amount estimated to equal the potential 20% excise tax under Section 409A that would be incurred by the recipient in connection with such option if such tax is applicable, and any related income tax liability that would be incurred by the recipient in respect of receiving from the Company such amount, if any.

OTHER ADJUSTMENTS

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As previously mentioned in the Explanatory Note in this Quarterly Report on Form 10-Q, in addition to the adjustments related to the stock option investigation, the restated condensed consolidated financial statements presented herein include other adjustments related to personal property taxes and certain accrual accounts and reserves, including those related to occupancy costs for the Company's 52- and 53-week fiscal years. The aggregate impact of these adjustments on the Company's consolidated statements of income, net of taxes, between fiscal 2001 and the first quarter of fiscal 2006 was an increase to net income of approximately \$1.7 million. Additionally, variable rate demand note balances as of the quarter ended April 29, 2006 have been reclassified from cash to short-term investments, and certain other balance sheet amounts have been reclassified. These reclassifications do not result in any additional charges in any period and do not affect working capital for the affected periods. For further discussion of these adjustments, refer to Note 2 Restatement of Consolidated Financial Statements in the unaudited condensed consolidated financial statements included in Item 1 of this report and Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

CUMULATIVE ADJUSTMENTS

The following table summarizes the cumulative increase or decrease to net income from fiscal 1998 through the first quarter of fiscal 2006. These adjustments relate to the Company recognizing stock-based compensation expense as a result of determining revised measurement dates for past stock option grants as well as the other adjustments noted above (in thousands):

Period Ended	Stock Option Related Adjustments			Other Adjustments(1)			Total After Tax Adjustment
	Expense (Increase)	Tax Benefit	Net Stock Option Related Adjustments	Expense (Increase) Decrease	Tax Benefit (Provision)	Net Other Adjustments	
January 30, 1999 (fiscal 1998)	\$ (59)	\$ 19	\$ (40)	\$	\$	\$	\$ (40)
January 29, 2000 (fiscal 1999)	(211)	81	(130)				(130)
February 3, 2001 (fiscal 2000)	(386)	131	(255)				(255)
February 2, 2002 (fiscal 2001)	(915)	295	(620)	240	(98)	142	(478)
February 1, 2003 (fiscal 2002)	(972)	375	(597)	772	(311)	461	(136)
January 31, 2004 (fiscal 2003)	(1,632)	486	(1,146)	1,722	(695)	1,027	(119)
January 29, 2005 (fiscal 2004)	(3,386)	772	(2,614)	589	(82)	507	(2,107)
January 28, 2006 (fiscal 2005)(2)	(8,927)	3,956	(4,971)	(853)	218	(635)	(5,606)
Cumulative effect at January 28, 2006	\$ (16,488)	\$ 6,115	\$ (10,373)	\$ 2,470	\$ (968)	\$ 1,502	\$ (8,871)
		64	(98,732)		648,261	549,593	
Net income					66,547	66,547	
Other comprehensive income				8,085		8,085	
Cash dividends (\$0.75 per share)					(10,054)	(10,054)	
Balance at March 31, 2012	13,404,831	\$ 64	\$ (90,647)	\$	\$ 704,754	\$ 614,171	

See accompanying Notes to Consolidated Financial Statements.

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(In thousands)

(Unaudited)

	Three Months Ended March 31	
	2012	2011
Cash and cash equivalents at beginning of year	\$ 50,370	\$ 49,192
Cash flows from operating activities:		
Net income	66,547	49,589
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and other amortization	10,065	10,167
Amortization of deferred financing costs	417	379
Noncash environmental remediation and dismantling	251	187
Noncash pension benefits expense	3,792	3,167
Noncash postretirement benefits expense	993	799
Noncash foreign exchange (gain) loss	1,215	1,296
Deferred income tax expense	3,077	3,243
Loss on early extinguishment of debt	3,221	0
Unrealized loss (gain) on derivative instruments, net	(4,208)	(3,369)
Working capital changes	(22,877)	(45,598)
Realized loss (gain) on derivative instruments, net	2,474	2,503
Cash pension benefits contributions	(7,355)	(7,253)
Cash postretirement benefits contributions	(628)	(458)
Change in book overdraft	6,032	1,849
Other, net	74	(305)
Cash provided from (used in) operating activities	63,090	16,196
Cash flows from investing activities:		
Capital expenditures	(7,432)	(24,151)
Deposits for interest rate swap	(5,079)	(11,408)
Return of deposits for interest rate swap	8,340	14,480
Payments on settlement of interest rate swap	(2,574)	(2,574)
Receipts from settlement of interest rate swap	100	71
Proceeds from sale of short-term investment	0	300
Cash provided from (used in) investing activities	(6,645)	(23,282)
Cash flows from financing activities:		
Net (repayments) borrowings under revolving credit agreements	(22,000)	37,000
Repayment on Foundry Park I mortgage loan	(715)	(664)
Net (repayments) borrowings under lines of credit	(223)	71
Repurchases of common stock	0	(27,427)
Dividends paid	(10,054)	(903)
Debt issuance costs	(2,351)	(2,233)
Proceeds from exercise of stock options	0	4

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Payments on the capital lease	0	(144)
Cash provided from (used in) financing activities	(35,343)	5,704
Effect of foreign exchange on cash and cash equivalents	1,274	1,993
Increase (decrease) in cash and cash equivalents	22,376	611
Cash and cash equivalents at end of period	\$ 72,746	\$ 49,803

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**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 statement of, in all material respects, our consolidated financial position as of March 31, 2012 and December 31, 2011, the change in our shareholders' equity for the three months ended March 31, 2012 and the year ended December 31, 2011, and our consolidated results of operations, comprehensive income, and cash flows for the three months ended March 31, 2012 and March 31, 2011. 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, 2011 (2011 Annual Report), as filed with the Securities and Exchange Commission (SEC). The results of operations for the three month period ended March 31, 2012 are not necessarily indicative of the results to be expected for the full year ending December 31, 2012. The December 31, 2011 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 indicates, all references to we, us, our, the Company and NewMarket are to NewMarket Corporation and its consolidated subsidiaries.

At both March 31, 2012 and December 31, 2011, we had a book overdraft for some of our disbursement cash accounts. A book overdraft represents disbursements 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 for the three months ended March 31, 2012 and March 31, 2011 were declared and paid as shown in the table below.

Year	Date Declared	Date Paid	Per Share Amount
2012	February 23, 2012	April 2, 2012	75.0 cents
2011	February 17, 2011	April 1, 2011	44.0 cents

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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 three months ended March 31, 2012 and March 31, 2011.

	2012	2011
	<i>(in thousands)</i>	
Asset retirement obligations, January 1	\$ 3,297	\$ 2,975
Accretion expense	43	37
Liabilities settled	(128)	0
Changes in expected cash flows and timing	98	0
Asset retirement obligations, March 31	\$ 3,310	\$ 3,012

3. Segment Information

The tables below show our consolidated segment results. The All other category includes the operations of the TEL business, as well as certain contract manufacturing performed by Ethyl Corporation (Ethyl).

Consolidated Revenue by Segment

(in millions)

	Three Months Ended	
	March 31	
	2012	2011
Petroleum additives	\$ 557.7	\$ 502.7
Real estate development	2.9	2.9
All other	2.1	2.5
Consolidated revenue	\$ 562.7	\$ 508.1

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	Three Months Ended March 31	
	2012	2011
Petroleum additives	\$ 107.2	\$ 80.6
Real estate development	1.8	1.8
All other	0.5	0.2
Segment operating profit	109.5	82.6
Corporate, general, and administrative expenses	(5.5)	(4.1)
Interest and financing expenses, net	(4.5)	(4.6)
Gain on interest rate swap agreement (a)	1.7	0.9
Loss on early extinguishment of debt (b)	(3.2)	0.0
Other income (expense), net	0.8	(1.4)
Income before income tax expense	\$ 98.8	\$ 73.4

- (a) *The gain on interest rate swap 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.*
- (b) *In March 2012, we entered into a \$650 million five-year unsecured revolving credit facility which replaced our previous \$300 million unsecured revolving credit facility. In April 2012, we used a portion of this larger credit facility to fund the early redemption of all of our outstanding 7.125% senior notes (senior notes) due 2016, representing an aggregate principal amount of \$150 million. In May 2012, we intend to use this credit facility to repay the outstanding balance on the mortgage loan secured by the Foundry Park I office building. As a result, during the three months ended March 31, 2012, we recognized a loss on early extinguishment of debt of \$3.2 million from accelerated amortization of financing fees associated with the prior revolving credit facility and costs associated with redeeming the senior notes prior to maturity.*

Segment Depreciation and Amortization*(in millions)*

	Three Months Ended March 31	
	2012	2011
Petroleum additives	\$ 8.8	\$ 8.9
Real estate development	1.0	0.9
All other and corporate	0.7	0.7
Total depreciation and amortization	\$ 10.5	\$ 10.5

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The table below shows cash contributions made during the three months ended March 31, 2012, as well as expected remaining contributions for the year ending December 31, 2012, for both our domestic and foreign pension plans and postretirement benefit plans.

	Actual Cash Contributions for Three Months Ended March 31, 2012	Expected Remaining Cash Contributions for Year Ending December 31, 2012
	<i>(in thousands)</i>	
Domestic plans		
Pension benefits	\$ 5,644	\$ 16,932
Postretirement benefits	577	1,730
Foreign plans		
Pension benefits	1,711	4,898
Postretirement benefits	51	152

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

	00000000	00000000	00000000	00000000
	Domestic			
	Pension Benefits		Postretirement Benefits	
	Three Months Ended March 31			
	2012	2011	2012	2011
	<i>(in thousands)</i>			
Service cost	\$ 2,157	\$ 1,691	\$ 522	\$ 353
Interest cost	2,359	2,247	787	843
Expected return on plan assets	(3,301)	(2,837)	(373)	(399)
Amortization of prior service cost	53	76	2	2
Amortization of actuarial net loss (gain)	1,292	798	0	(74)
Net periodic benefit cost	\$ 2,560	\$ 1,975	\$ 938	\$ 725

	00000000	00000000	00000000	00000000
	Foreign			
	Pension Benefits		Postretirement Benefits	
	Three Months Ended March 31			
	2012	2011	2012	2011
	<i>(in thousands)</i>			
Service cost	\$ 1,167	\$ 1,033	\$ 7	\$ 8
Interest cost	1,333	1,449	27	38
Expected return on plan assets	(1,506)	(1,576)	0	0
Amortization of prior service (credit) cost	(38)	21	0	0
Amortization of transition obligation	0	0	13	13
Amortization of actuarial net loss (gain)	276	265	8	15
Net periodic benefit cost	\$ 1,232	\$ 1,192	\$ 55	\$ 74

Table of Contents5. 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.

	Three Months Ended	
	March 31	
	2012	2011
	<i>(in thousands, except per-</i>	
	<i>share amounts)</i>	
Basic earnings per share		
Numerator:		
Net income	\$ 66,547	\$ 49,589
Denominator:		
Weighted-average number of shares of common stock outstanding	13,405	13,890
Basic earnings per share	\$ 4.96	\$ 3.57
Diluted earnings per share		
Numerator:		
Net income	\$ 66,547	\$ 49,589
Denominator:		
Weighted-average number of shares of common stock outstanding	13,405	13,890
Shares issuable upon exercise of stock options	0	16
Total shares	13,405	13,906
Diluted earnings per share	\$ 4.96	\$ 3.57

Table of Contents6. 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. The change in the goodwill amount between 2011 and 2012 is due to foreign currency fluctuations.

	Identifiable Intangibles			
	March 31 2012		December 31 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	<i>(in thousands)</i>			
Amortizing intangible assets				
Formulas and technology	\$ 91,630	\$ 70,731	\$ 91,552	\$ 69,387
Contracts	16,380	12,484	16,380	12,139
Customer bases	7,062	1,985	7,050	1,855
Trademarks and trade names	1,621	335	1,609	295
Goodwill	5,197		5,132	
	\$ 121,890	\$ 85,535	\$ 121,723	\$ 83,676

Amortization expense was (in millions):

Three months ended March 31, 2012	\$ 1.9
Three months ended March 31, 2011	\$ 2.2

Estimated amortization expense for the remainder of 2012, as well as annual amortization expense related to our intangible assets for the next five years is expected to be (in millions):

2012	\$ 5.6
2013	7.1
2014	6.2
2015	5.8
2016	1.9
2017	0.7

Generally, we amortize the cost of the customer base intangibles 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; customer bases over 20 years; and formulas and technology over 5 to 20 years. Trademarks and trade names are amortized over 10 years.

Table of Contents7. Long-term Debt

Long-term debt consisted of:

	March 31 2012	December 31 2011
	<i>(in thousands)</i>	
Senior notes - 7.125% due 2016	\$ 150,000	\$ 150,000
Foundry Park I mortgage loan - due 2015	62,829	63,544
Revolving credit facilities	0	22,000
Lines of credit	7,800	8,023
	220,629	243,567
Current maturities of long-term debt	(10,798)	(10,966)
	\$ 209,831	\$ 232,601

Revolving Credit Facility On March 14, 2012, we entered into a new Credit Agreement (Credit Agreement) with a term of five years, which replaced our previous \$300 million revolving credit facility. The Credit Agreement provides for a \$650 million, multicurrency revolving credit facility, with a \$100 million sublimit for multicurrency borrowings, a \$100 million sublimit for letters of credit, and a \$20 million sublimit for swingline loans. The Credit Agreement includes an expansion feature, which allows us, subject to certain conditions, to request an increase to the aggregate amount of the revolving credit facility or obtain incremental term loans in an amount up to \$150 million.

We paid financing costs in the first three months 2012 of approximately \$2.4 million related to this revolving credit facility and carried over deferred financing costs from our previous revolving credit facility of approximately \$1.8 million, resulting in total deferred financing costs of \$4.2 million, which we are amortizing over the term of the Credit Agreement.

The obligations under the Credit Agreement are unsecured and are fully guaranteed by NewMarket and the subsidiary guarantors. The revolving credit facility matures on March 14, 2017.

Borrowings made under the revolving credit facility bear interest at an annual rate equal to, at our election, either (1) the ABR plus the Applicable Rate (solely in the case of loans denominated in U.S. dollars to NewMarket) or (2) the Adjusted LIBO Rate plus the Applicable Rate. ABR is the greatest of (i) the rate of interest publicly announced by the Administrative Agent as its prime rate, (ii) the federal funds effective rate plus 0.5%, or (iii) the Adjusted LIBO Rate for a one month interest period plus 1%. The Adjusted LIBO Rate means the rate at which Eurocurrency deposits in the London interbank market for certain periods (as selected by NewMarket) are quoted, as adjusted for statutory reserve requirements for Eurocurrency liabilities and other applicable mandatory costs. Depending on our consolidated Leverage Ratio, the Applicable Rate ranges from 0.50% to 1.00% for loans bearing interest based on the ABR and from 1.50% to 2.00% for loans bearing interest based on the Adjusted LIBO Rate. At March 31, 2012, the Applicable Rate was 0.50% for loans bearing interest based on the ABR and 1.50% for loans bearing interest based on the Adjusted LIBO Rate.

The Credit Agreement contains financial covenants that require NewMarket to maintain a consolidated Leverage Ratio (as defined in the Credit Agreement) of no more than 3.00 to 1.00 and a consolidated Interest Coverage Ratio (as defined in the Credit Agreement) of no less than 3.00 to 1.00, calculated on a rolling four quarter basis, as of the end of each fiscal quarter ending on and after March 31, 2012.

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We were in compliance with all covenants under our debt agreements at March 31, 2012 and at December 31, 2011.

The following table provides information related to the unused portion of our revolving credit facility in effect at March 31, 2012 and December 31, 2011:

	March 31 2012	December 31 2011
	<i>(in millions)</i>	
Maximum borrowing capacity under the revolving credit facility	\$ 650.0	\$ 300.0
Outstanding borrowings under the revolving credit facility	0.0	22.0
Outstanding letters of credit	6.1	6.1
Unused portion of revolving credit facility	\$ 643.9	\$ 271.9

For further information on the outstanding letters of credit, see Note 8. The average interest rate for borrowings under our revolving credit facility was 3.29% during the first three months of 2012 and 2.90% during 2011.

Senior Notes On March 15, 2012, at our request, Wells Fargo Bank, N.A., as trustee, issued a notice of redemption for all of our outstanding 7.125% senior notes due 2016, representing an aggregate principal amount of \$150 million. Under the indenture governing the senior notes, the redemption price is 103.563% of the outstanding aggregate principal amount, plus accrued and unpaid interest to the redemption date. Subsequently, on April 16, 2012, all of the senior notes were redeemed. We used borrowings under our revolving credit facility to finance the redemption. Through redemption, we will recognize total expenses of approximately \$8.5 million (\$2.7 million during the first quarter 2012 and \$5.8 million during the second quarter 2012) related to the prepayment premium and unamortized financing costs on the senior notes.

Foundry Park I Mortgage Loan Also, in early May 2012, we intend to pay in full the outstanding principal amount on the Foundry Park I, LLC mortgage loan agreement (mortgage loan). There will be no prepayment penalty incurred. We expect to utilize borrowings under our revolving credit facility to finance the payment. Concurrently with the payoff of the mortgage loan agreement, the interest rate swap associated with the mortgage loan will also terminate. See Note 9 for information on the interest rate swap. Upon the payoff of the mortgage loan, we will recognize expense of approximately \$0.8 million related to the unamortized financing costs on the loan.

8. Contractual Commitments and Contingencies

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.

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, results of operations, or cash flows.

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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, results of operations, and cash flows.

Our total accruals for environmental remediation were approximately \$21.6 million at March 31, 2012 and \$21.7 million at December 31, 2011. In addition to the accruals for environmental remediation, we also have accruals for dismantling and decommissioning costs of \$600 thousand at both March 31, 2012 and December 31, 2011.

Letters of Credit and Guarantees

We have outstanding guarantees with several financial institutions in the amount of \$59.8 million at March 31, 2012. 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 \$6.1 million at March 31, 2012, 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 and performance guarantees. The remaining amounts represent additional performance, lease, custom, and excise tax guarantees, as well as a cash deposit of \$32.8 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 Sheets. Expiration dates of the letters of credit and certain guarantees range from 2012 to 2014. Some of the guarantees have no expiration date. We renew letters of credit as necessary.

We cannot estimate the maximum amount of potential liability under the guarantees. However, we accrue for potential liabilities when a future payment is probable and the range of loss can be reasonably estimated.

9. Derivatives and Hedging Activities

We are exposed to certain risks arising from both our business operations and economic conditions. We primarily manage our exposures to a wide variety of business and operational risks through management of our core business activities.

We manage certain economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of our debt funding, as well as through the use of derivative financial instruments. Specifically, we have entered into interest rate swaps to manage our exposure to interest rate movements.

Our foreign operations expose us to fluctuations of foreign exchange rates. These fluctuations may impact the value of our cash receipts and payments as compared to our reporting currency, the U.S. Dollar. To manage this exposure, we sometimes enter into foreign currency forward contracts to minimize currency exposure due to cash flows from foreign operations.

Cash Flow Hedge of Interest Rate Risk

In January 2010, we entered into an interest rate swap to manage our exposure to interest rate movements on the mortgage loan and to reduce variability in interest expense. Further information on the mortgage loan is in Note 12 in our 2011 Annual Report. We also had an interest rate swap to manage our exposure to interest rate movements on the Foundry Park I

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construction loan and add stability to capitalized interest expense. The Foundry Park I construction loan interest rate swap matured on January 1, 2010. Both interest rate swaps are designated and qualify as a cash flow hedge. As such, the effective portion of changes in the fair value of the swaps is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Any ineffective portion of changes in the fair value of the swap is recognized immediately in earnings. We assess the effectiveness of the mortgage loan interest rate swap quarterly by comparing the changes in the fair value of the derivative hedging instrument with the change in present value of the expected future cash flows of the hedged transaction.

The mortgage loan interest rate swap involves the receipt of variable-rate amounts based on LIBOR in exchange for fixed-rate payments over the life of the agreement without exchange of the underlying notional amount. The fixed-rate payments are at a rate of 2.642% for the mortgage loan interest rate swap. The notional amount of the mortgage loan interest rate swap was \$68.4 million at origination and approximately \$62.8 million at March 31, 2012. The notional amount of the mortgage loan interest rate swap amortizes to approximately \$54 million over the term of the swap. The amortizing notional amount is necessary to maintain the swap notional at an amount that matches the declining mortgage loan principal balance over the loan term. The mortgage loan interest swap matures on January 29, 2015. We expect that the mortgage loan interest rate swap will be terminated in early May 2012 upon the payment in full of the mortgage loan. See Note 7 for additional information.

The unrealized loss, net of tax, related to the fair value of the mortgage loan interest rate swap is recorded in accumulated other comprehensive loss in shareholders' equity on the Consolidated Balance Sheets, and amounted to approximately \$2.1 million at March 31, 2012 and \$2.2 million at December 31, 2011. Also recorded as a component of accumulated other comprehensive loss in shareholders' equity on the Consolidated Balance Sheets is the accumulated losses related to the construction loan interest rate swap of approximately \$2.5 million, net of tax, at March 31, 2012 and \$2.6 million at December 31, 2011. The amount remaining in accumulated other comprehensive loss related to the construction loan interest rate swap is being recognized in the Consolidated Statements of Income over the depreciable life of the office building beginning in January 2010. Approximately \$900 thousand, net of tax, currently recognized in accumulated other comprehensive loss related to both the construction loan interest rate swap and the mortgage loan interest rate swap is expected to be reclassified into earnings over the next twelve months.

Non-designated Hedges

On June 25, 2009, we entered into an interest rate swap with Goldman Sachs in the notional amount of \$97 million and with a maturity date of January 19, 2022 (Goldman Sachs interest rate swap). NewMarket entered into the Goldman Sachs interest rate swap in connection with the termination of a loan application and related rate lock agreement between Foundry Park I and Principal Commercial Funding II, LLC (Principal). When the rate lock agreement was originally executed in 2007, Principal simultaneously entered into an interest rate swap with a third party to hedge Principal's exposure to fluctuation in the ten-year United States Treasury Bond rate. Upon the termination on June 25, 2009 of the rate lock agreement, Goldman Sachs both assumed Principal's position with the third party and entered into an offsetting interest rate swap with NewMarket. Under the terms of this interest rate swap, NewMarket is making fixed rate payments at 5.3075% and Goldman Sachs makes variable rate payments based on three-month LIBOR. We have collateralized this exposure through cash deposits posted with Goldman Sachs amounting to \$32.8 million at March 31, 2012. This transaction effectively preserves the impact of the original rate lock agreement for the possible application to a future loan of a similar structure.

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We do not use hedge accounting for the Goldman Sachs interest rate swap, and therefore, immediately recognize any change in the fair value of this derivative financial instrument directly in earnings.

The table below presents the fair value of our derivative financial instruments, as well as their classification on the Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011.

Fair Value of Derivative Instruments

(in thousands)

	Asset Derivatives		Liability Derivatives			
	March 31, 2012	December 31, 2011	March 31, 2012		December 31, 2011	
	Balance	Balance	Balance	Fair Value	Balance	Fair Value
	Sheet	Sheet	Sheet		Sheet	
	Location	Location	Location		Location	
	Fair Value	Fair Value			Fair Value	
Derivatives Designated as Hedging Instruments						
Mortgage loan interest rate swap	\$ 0	\$ 0	Accrued expenses and Other noncurrent liabilities	\$ 3,542	Accrued expenses and Other noncurrent liabilities	\$ 3,692
Derivatives Not Designated as Hedging Instruments						
Goldman Sachs interest rate swap	\$ 0	\$ 0	Accrued expenses and Other noncurrent liabilities	\$ 27,889	Accrued expenses and Other noncurrent liabilities	\$ 32,098

The total fair value reflected in the table above includes amounts recorded in accrued expenses of approximately \$130 thousand at both March 31, 2012 and December 31, 2011 for the mortgage loan interest rate swap and approximately \$0.9 million at March 31, 2012 and \$2.2 million at December 31, 2011 for the Goldman Sachs interest rate swap.

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The tables below present the effect of our derivative financial instruments on the Consolidated Statements of Income.

Effect of Derivative Instruments on the Consolidated Statements of Income**Designated Cash Flow Hedges***(in thousands)*

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain (Loss) Recognized from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three Months Ended March 31 2012	Three Months Ended March 31 2011		Three Months Ended March 31 2012	Three Months Ended March 31 2011		Three Months Ended March 31 2012	Three Months Ended March 31 2011
Mortgage loan interest rate swap	\$ (228)	\$ 178	Interest and financing expenses	\$ (378)	\$ (392)		\$ 0	\$ 0
Construction loan interest rate swap	\$ 0	\$ 0	Cost of rental	\$ (21)	\$ (21)		\$ 0	\$ 0

Effect of Derivative Instruments on the Consolidated Statements of Income**Not Designated Derivatives***(in thousands)*

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives Three Months Ended March 31 2012	Amount of Gain (Loss) Recognized in Income on Derivatives Three Months Ended March 31 2011
Goldman Sachs interest rate swap	Other income (expense), net	\$ 1,735	\$ 866

Credit-risk-related Contingent Features

We have agreements with both of our current derivative counterparties that contain a provision where we could be declared in default on our derivative obligations if repayment of indebtedness is accelerated by our lender(s) due to our default on the indebtedness.

As of March 31, 2012, the fair value of derivatives in a net liability position related to these agreements, which includes accrued interest but excludes any adjustment for nonperformance risk, was \$31.0 million. We have minimum collateral posting thresholds with one of our derivative counterparties and have posted cash collateral of \$32.8 million as of March 31, 2012. If required, we could have settled our obligations under the agreements at their termination value of \$31.0 million at March 31, 2012.

Table of Contents10. Comprehensive Income and Accumulated Other Comprehensive Loss

The balances of, and changes in, the components of accumulated other comprehensive loss, net of tax, consist of the following:

	Pension Plans and Other Postretirement Benefits	Derivative Instruments	Foreign Currency Translation Adjustments <i>(in thousands)</i>	Unrealized Gain on Marketable Securities	Accumulated Other Comprehensive Loss
Balance at January 1, 2011	\$ (51,562)	\$ (4,151)	\$ (18,107)	\$ 0	\$ (73,820)
Other comprehensive income (loss)	(24,854)	(585)	163	364	(24,912)
Balance at December 31, 2011	(76,416)	(4,736)	(17,944)	364	(98,732)
Other comprehensive income (loss)	1,046	105	6,669	265	8,085
Balance at March 31, 2012	\$ (75,370)	\$ (4,631)	\$ (11,275)	\$ 629	\$ (90,647)

11. Fair Value Measurements

The following table provides information on assets and liabilities measured at fair value on a recurring basis. No events occurred during the three months ended March 31, 2012 requiring adjustment to the recognized balances of assets or liabilities which are recorded at fair value on a nonrecurring basis.

	Carrying Amount in Consolidated Balance Sheets	Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
			March 31, 2012		
			<i>(in thousands)</i>		
Cash and cash equivalents	\$ 72,746	\$ 72,746	\$ 72,746	\$ 0	\$ 0
Marketable securities	5,637	5,637	0	5,637	0
Interest rate swaps liability	31,431	31,431	0	31,431	0
			December 31, 2011		
			<i>(in thousands)</i>		
Cash and cash equivalents	\$ 50,370	\$ 50,370	\$ 50,370	\$ 0	\$ 0
Marketable securities	5,208	5,208	0	5,208	0
Interest rate swaps liability	35,790	35,790	0	35,790	0

We determine the fair value of the derivative instruments shown in the table above by using widely-accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. The analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs.

The fair value of the interest rate swaps is determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash

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payments. The variable cash payments are based on an expectation of future interest rates derived

from observable market interest rate curves. In determining the fair value measurements, we incorporate credit valuation adjustments to appropriately reflect both our nonperformance risk and the counterparties' nonperformance risk.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustment associated with the derivatives utilizes Level 3 inputs. These Level 3 inputs include estimates of current credit spreads to evaluate the likelihood of default by both us and the counterparties to the derivatives. As of March 31, 2012 and December 31, 2011, we have assessed the significance of the impact of the credit valuation adjustment on the overall valuation of our derivatives and have determined that the credit valuation adjustment is not significant to the overall valuation of the derivatives. Accordingly, we have determined that our derivative valuations should be classified in Level 2 of the fair value hierarchy.

In conjunction with the Financial Accounting Standards Board guidance on fair value measurement, we have made an accounting policy election to measure credit risk of any derivative financial instruments subject to master netting agreements on a net basis by counterparty portfolio.

The marketable securities in the table above represent the 195,313 shares of unregistered Innospec Inc. common stock that we own. See Note 18 in the 2011 Annual Report for further information. The fair value of the common stock is determined using the closing market price of Innospec Inc. common stock at March 31, 2012, discounted for transfer restrictions on the shares. While the Innospec Inc. common stock is traded on a national exchange and the market price is a Level 1 input in the fair value hierarchy, the discount factor utilizes Level 3 inputs. We have assessed the significance of the impact of the discount factor adjustment on the overall valuation of the marketable securities and have determined that it is not significant to the overall valuation of the marketable securities. Accordingly, we have determined that our marketable securities valuation should be classified in Level 2 of the fair value hierarchy as the valuation relies on quoted prices for similar assets in an active market.

Long-term Debt We record the value of our long-term debt at historical cost. The estimated fair value of our long-term debt is shown in the table below and is based primarily on estimated current rates available to us for debt of the same remaining duration and adjusted for nonperformance risk and credit risk. The estimated fair value is determined by the market standard practice of modeling the contractual cash flows required under the debt instrument and discounting the cash flows back to present value at the appropriate credit-risk adjusted market interest rates. For floating rate debt obligations, we use forward rates, derived from observable market yield curves, to project the expected cash flows we will be required to make under the debt instrument. We then discount those cash flows back to present value at the appropriate credit-risk adjusted market interest rates. The fair value is categorized as Level 2.

	March 31, 2012		December 31, 2011	
	<i>(in thousands)</i>			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current maturities	\$ 220,629	\$ 232,716	\$ 243,567	\$ 252,557

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12. Consolidating Financial Information

The senior notes are guaranteed by certain of our subsidiaries (Guarantor Subsidiaries) on a joint and several unsecured senior basis. The senior notes include a provision which allows for a Guarantor Subsidiary to be released of any obligation under the subsidiary guarantee under certain conditions. Those conditions include the sale or other disposition of all or substantially all of the Guarantor Subsidiary's assets. The Guarantor Subsidiaries include all of our existing and future 100% owned domestic restricted subsidiaries. The Guarantor Subsidiaries and the subsidiaries that do not guarantee the senior notes (the Non-Guarantor Subsidiaries) are 100% owned by NewMarket Corporation (the Parent Company). The Guarantor Subsidiaries consist of the following:

Ethyl Corporation	Afton Chemical Corporation
Ethyl Asia Pacific LLC	Afton Chemical Asia Pacific LLC
Ethyl Canada Holdings, Inc.	Afton Chemical Canada Holdings, Inc.
Ethyl Export Corporation	Afton Chemical Japan Holdings, Inc.
Ethyl Interamerica Corporation	Afton Chemical Additives Corporation
Ethyl Ventures, Inc.	NewMarket Services Corporation
Interamerica Terminals Corporation	The Edwin Cooper Corporation
Afton Chemical Intangibles LLC	Old Town LLC
NewMarket Investment Company	NewMarket Development Corporation
Foundry Park I, LLC	Foundry Park II, LLC
Gamble's Hill, LLC	Gamble's Hill Lab, LLC
Gamble's Hill Landing, LLC	Gamble's Hill Third Street, LLC
Gamble's Hill Tredegar, LLC	

We conduct all of our business and derive essentially all of our income from our subsidiaries. Therefore, our ability to make payments on the senior notes or other obligations is dependent on the earnings and the distribution of funds from our subsidiaries. There are no restrictions on the ability of any of our domestic subsidiaries to transfer funds to the Parent Company.

The following sets forth the Consolidating Statements of Income and Comprehensive Income for the three months ended March 31, 2012 and March 31, 2011; Consolidating Balance Sheets as of March 31, 2012 and December 31, 2011; and Condensed Consolidating Statements of Cash Flows for the three months ended March 31, 2012 and March 31, 2011 for the Parent Company, the Guarantor Subsidiaries, and Non-Guarantor Subsidiaries. The financial information is based on our understanding of the SEC's interpretation and application of Rule 3-10 of the SEC Regulation S-X.

The financial information may not necessarily be indicative of results of operations or financial positions had the Guarantor Subsidiaries or Non-Guarantor Subsidiaries operated as independent entities. The Parent Company accounts for investments in these subsidiaries using the equity method.

During 2011, we made an adjustment to the presentation of previously reported amounts for intercompany activity on the Condensed Consolidating Statements of Cash Flows. This adjustment did not have an impact on the reported consolidated financial statements for the period ended March 31, 2011.

On April 16, 2012, we redeemed all of the outstanding senior notes, representing an aggregate principal amount of \$150 million. See Note 7 for further information.

Table of Contents**NewMarket Corporation and Subsidiaries****Consolidating Statements of Income and Comprehensive Income****Three Months Ended March 31, 2012***(in thousands)*

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
Revenue:					
Net sales - product	\$ 0	\$ 225,709	\$ 334,112	\$ 0	\$ 559,821
Rental revenue	0	2,858	0	0	2,858
	0	228,567	334,112	0	562,679
Costs:					
Cost of goods sold - product	0	99,176	292,899	0	392,075
Cost of rental	0	1,068	0	0	1,068
	0	100,244	292,899	0	393,143
Gross profit	0	128,323	41,213	0	169,536
Selling, general, and administrative expenses	1,450	27,819	7,639	0	36,908
Research, development, and testing expenses	0	21,120	6,775	0	27,895
Operating profit (loss)	(1,450)	79,384	26,799	0	104,733
Interest and financing expenses, net	3,377	87	1,018	0	4,482
Loss on early extinguishment of debt	3,221	0	0	0	3,221
Other income (expense), net	1,744	(31)	60	0	1,773
(Loss) income before income taxes and equity income of subsidiaries	(6,304)	79,266	25,841	0	98,803
Income tax (benefit) expense	(2,584)	29,124	5,716	0	32,256
Equity income of subsidiaries	70,267	0	0	(70,267)	0
Net income	\$ 66,547	\$ 50,142	\$ 20,125	\$ (70,267)	\$ 66,547
Comprehensive income	\$ 67,124	\$ 52,920	\$ 24,855	\$ (70,267)	\$ 74,632

Table of Contents**NewMarket Corporation and Subsidiaries****Consolidating Statements of Income and Comprehensive Income****Three Months Ended March 31, 2011***(in thousands)*

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
Revenue:					
Net sales - product	\$ 0	\$ 192,951	\$ 312,274	\$ 0	\$ 505,225
Rental revenue	0	2,858	0	0	2,858
	0	195,809	312,274	0	508,083
Costs:					
Cost of goods sold - product	0	129,173	236,878	0	366,051
Cost of rental	0	1,068	0	0	1,068
	0	130,241	236,878	0	367,119
Gross profit	0	65,568	75,396	0	140,964
Selling, general, and administrative expenses	1,171	26,822	10,431	0	38,424
Research, development, and testing expenses	0	18,928	5,533	0	24,461
Operating profit (loss)	(1,171)	19,818	59,432	0	78,079
Interest and financing expenses, net	3,547	286	812	0	4,645
Other income (expense), net	(109)	(27)	69	0	(67)
(Loss) income before income taxes and equity income of subsidiaries	(4,827)	19,505	58,689	0	73,367
Income tax (benefit) expense	(2,112)	10,157	15,733	0	23,778
Equity income of subsidiaries	52,304	0	0	(52,304)	0
Net income	\$ 49,589	\$ 9,348	\$ 42,956	\$ (52,304)	\$ 49,589
Comprehensive income	\$ 49,880	\$ 11,200	\$ 50,562	\$ (52,304)	\$ 59,338

Table of Contents**NewMarket Corporation and Subsidiaries****Consolidating Balance Sheets****March 31, 2012***(in thousands)*

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
ASSETS					
Cash and cash equivalents	\$ 17	\$ 27,295	\$ 45,434	\$ 0	\$ 72,746
Trade and other accounts receivable, net	0	117,028	194,860	0	311,888
Amounts due from affiliated companies	809,603	1,198,067	26,449	(2,034,119)	0
Inventories	0	113,187	201,914	0	315,101
Deferred income taxes	2,240	2,249	845	0	5,334
Prepaid expenses and other current assets	8,847	28,478	2,607	0	39,932
Total current assets	820,707	1,486,304	472,109	(2,034,119)	745,001
Amounts due from affiliated companies	0	113,716	0	(113,716)	0
Property, plant, and equipment, at cost	0	820,405	225,944	0	1,046,349
Less accumulated depreciation and amortization	0	563,910	128,614	0	692,524
Net property, plant, and equipment	0	256,495	97,330	0	353,825
Investment in consolidated subsidiaries	1,066,775	0	0	(1,066,775)	0
Prepaid pension cost	0	0	12,596	0	12,596
Deferred income taxes	40,784	0	0	(6,542)	34,242
Other assets and deferred charges	40,130	29,158	2,190	0	71,478
Intangibles (net of amortization) and goodwill	0	29,015	7,340	0	36,355
Total assets	\$ 1,968,396	\$ 1,914,688	\$ 591,565	\$ (3,221,152)	\$ 1,253,497
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable	\$ 20	\$ 73,439	\$ 46,149	\$ 0	\$ 119,608
Accrued expenses	11,791	36,086	17,506	0	65,383
Dividends payable	8,521	0	0	0	8,521
Book overdraft	0	7,712	0	0	7,712
Amounts due to affiliated companies	1,059,400	916,379	58,340	(2,034,119)	0
Long-term debt, current portion	0	2,998	7,800	0	10,798
Income taxes payable	7,190	12,226	9,515	0	28,931
Total current liabilities	1,086,922	1,048,840	139,310	(2,034,119)	240,953
Long-term debt	150,000	59,831	0	0	209,831
Amounts due to affiliated companies	0	8,025	105,691	(113,716)	0
Other noncurrent liabilities	117,303	51,759	26,022	(6,542)	188,542

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Total liabilities	1,354,225	1,168,455	271,023	(2,154,377)	639,326
Shareholders' equity:					
Common stock and paid-in capital	64	388,281	71,322	(459,603)	64
Accumulated other comprehensive loss	(90,647)	(17,577)	(29,824)	47,401	(90,647)
Retained earnings	704,754	375,529	279,044	(654,573)	704,754
Total shareholders' equity	614,171	746,233	320,542	(1,066,775)	614,171
Total liabilities and shareholders' equity	\$ 1,968,396	\$ 1,914,688	\$ 591,565	\$ (3,221,152)	\$ 1,253,497

Table of Contents**NewMarket Corporation and Subsidiaries****Consolidating Balance Sheets****December 31, 2011***(in thousands)*

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
ASSETS					
Cash and cash equivalents	\$ 17	\$ 9,653	\$ 40,700	\$ 0	\$ 50,370
Trade and other accounts receivable, net	0	122,812	164,432	(8,912)	278,332
Amounts due from affiliated companies	732,392	1,057,075	17,132	(1,806,599)	0
Inventories	0	106,278	200,507	0	306,785
Deferred income taxes	2,790	3,836	635	0	7,261
Prepaid expenses and other current assets	8,629	25,967	2,387	0	36,983
Total current assets	743,828	1,325,621	425,793	(1,815,511)	679,731
Amounts due from affiliated companies	0	110,444	0	(110,444)	0
Property, plant, and equipment, at cost	0	815,209	219,263	0	1,034,472
Less accumulated depreciation and amortization	0	558,177	123,329	0	681,506
Net property, plant, and equipment	0	257,032	95,934	0	352,966
Investment in consolidated subsidiaries	989,039	0	0	(989,039)	0
Prepaid pension cost	0	0	11,494	0	11,494
Deferred income taxes	43,053	0	0	(7,248)	35,805
Other assets and deferred charges	42,219	29,166	2,234	0	73,619
Intangibles (net of amortization) and goodwill	0	30,758	7,289	0	38,047
Total assets	\$ 1,818,139	\$ 1,753,021	\$ 542,744	\$ (2,922,242)	\$ 1,191,662
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable	\$ 11	\$ 61,778	\$ 41,428	\$ 0	\$ 103,217
Accrued expenses	8,093	50,827	19,626	0	78,546
Dividends payable	8,529	0	0	0	8,529
Book overdraft	0	1,680	0	0	1,680
Amounts due to affiliated companies	944,282	818,452	43,865	(1,806,599)	0
Long-term debt, current portion	0	2,943	8,023	0	10,966
Income taxes payable	12,229	0	9,769	(8,912)	13,086
Total current liabilities	973,144	935,680	122,711	(1,815,511)	216,024
Long-term debt	172,000	60,601	0	0	232,601
Amounts due to affiliated companies	0	8,025	102,419	(110,444)	0
Other noncurrent liabilities	123,402	51,663	25,627	(7,248)	193,444

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Total liabilities	1,268,546	1,055,969	250,757	(1,933,203)	642,069
Shareholders' equity:					
Common stock and paid in capital	64	388,282	71,322	(459,604)	64
Accumulated other comprehensive loss	(98,732)	(20,355)	(34,554)	54,909	(98,732)
Retained earnings	648,261	329,125	255,219	(584,344)	648,261
Total shareholders' equity	549,593	697,052	291,987	(989,039)	549,593
Total liabilities and shareholders' equity	\$ 1,818,139	\$ 1,753,021	\$ 542,744	\$ (2,922,242)	\$ 1,191,662

Table of Contents**NewMarket Corporation and Subsidiaries****Condensed Consolidating Statements of Cash Flows****Three Months Ended March 31, 2012***(in thousands)*

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
Cash provided from (used in) operating activities	\$ (19,533)	\$ 70,140	\$ 12,483	\$ 0	\$ 63,090
Cash flows from investing activities:					
Capital expenditures	0	(5,044)	(2,388)	0	(7,432)
Deposits for interest rate swap	(5,079)	0	0	0	(5,079)
Return of deposits for interest rate swap	8,340	0	0	0	8,340
Payments on settlement of interest rate swap	(2,574)	0	0	0	(2,574)
Receipts from settlement of interest rate swap	100	0	0	0	100
Cash dividends from subsidiaries	38	5,857	0	(5,895)	0
Cash provided from (used in) investing activities	825	813	(2,388)	(5,895)	(6,645)
Cash flows from financing activities:					
Net (repayments) borrowings under revolving credit agreements	(22,000)	0	0	0	(22,000)
Repayment on Foundry Park I mortgage loan	0	(715)	0	0	(715)
Net (repayments) borrowings under lines of credit	0	0	(223)	0	(223)
Dividends paid	(10,054)	(38)	(5,857)	5,895	(10,054)
Debt issuance costs	(2,351)	0	0	0	(2,351)
Financing from affiliated companies	53,113	(53,113)	0	0	0
Cash provided from (used in) financing activities	18,708	(53,866)	(6,080)	5,895	(35,343)
Effect of foreign exchange on cash and cash equivalents	0	555	719	0	1,274
Increase (decrease) in cash and cash equivalents	0	17,642	4,734	0	22,376
Cash and cash equivalents at beginning of year	17	9,653	40,700	0	50,370
Cash and cash equivalents at end of period	\$ 17	\$ 27,295	\$ 45,434	\$ 0	\$ 72,746

Table of Contents**NewMarket Corporation and Subsidiaries****Condensed Consolidating Statements of Cash Flows****Three Months Ended March 31, 2011***(in thousands)*

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total Consolidating Adjustments	Consolidated
Cash provided from (used in) operating activities	\$ (154,320)	\$ 130,173	\$ 40,343	\$ 0	\$ 16,196
Cash flows from investing activities:					
Capital expenditures	0	(4,562)	(19,589)	0	(24,151)
Deposits for interest rate swap	(11,408)	0	0	0	(11,408)
Return of deposits for interest rate swap	14,480	0	0	0	14,480
Payments on settlement of interest rate swap	(2,574)	0	0	0	(2,574)
Receipts from settlement of interest rate swap	71	0	0	0	71
Proceeds from sale of short-term investment	300	0	0	0	300
Cash dividends from subsidiaries	0	2,727	0	(2,727)	0
Cash provided from (used in) investing activities	869	(1,835)	(19,589)	(2,727)	(23,282)
Cash flows from financing activities:					
Net (repayments) borrowings under revolving credit agreements	37,000	0	0	0	37,000
Repayment on Foundry Park I mortgage loan	0	(664)	0	0	(664)
Net (repayments) borrowings under lines of credit	0	0	71	0	71
Repurchases of common stock	(27,427)	0	0	0	(27,427)
Dividends paid	(903)	0	(2,727)	2,727	(903)
Debt issuance costs	(2,233)	0	0	0	(2,233)
Proceeds from exercise of stock options	4	0	0	0	4
Payments on the capital lease	0	(144)	0	0	(144)
Financing from affiliated companies	147,010	(128,015)	(18,995)	0	0
Cash provided from (used in) financing activities	153,451	(128,823)	(21,651)	2,727	5,704
Effect of foreign exchange on cash and cash equivalents	0	900	1,093	0	1,993
Increase (decrease) in cash and cash equivalents	0	415	196	0	611
Cash and cash equivalents at beginning of year	17	7,717	41,458	0	49,192
Cash and cash equivalents at end of period	\$ 17	\$ 8,132	\$ 41,654	\$ 0	\$ 49,803

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13. Subsequent Events

On April 26, 2012, our Board of Directors declared a quarterly dividend in the amount of 75 cents per share on our common stock. The dividend is payable July 2, 2012 to shareholders of record at the close of business on June 15, 2012.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operation **Forward-Looking Statements**

The following discussion contains forward-looking statements about future events and expectations within the meaning of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future results. When we use words in this document, such as anticipates, intends, plans, believes, estimates, projects, expects, should, could, and similar expressions, we do so to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding future prospects of growth in the petroleum additives market, other trends in the petroleum additives market, our ability to maintain or increase our market share, and our future capital expenditure levels.

We believe our forward-looking statements are based on reasonable expectations and assumptions, within the bounds of what we know about our business and operations. However, we offer no assurance that actual results will not differ materially from our expectations due to uncertainties and factors that are difficult to predict and beyond our control.

Factors that could cause actual results to differ materially from expectations include, but are not limited to, availability of raw materials and transportation systems; supply disruptions at single-sourced facilities; ability to respond effectively to technological changes in our industry; failure to protect our intellectual property rights; hazards common to chemical businesses; occurrence or threat of extraordinary events, including natural disasters and terrorist attacks; competition from other manufacturers; sudden or sharp raw materials price increases; gain or loss of significant customers; risks related to operating outside of the United States; the impact of fluctuations in foreign exchange rates; political, economic, and regulatory factors concerning our products; future governmental regulation; resolution of environmental liabilities or legal proceedings; inability to complete future acquisitions or successfully integrate recent or future acquisitions into our business; and other factors detailed from time to time in the reports that NewMarket files with the Securities and Exchange Commission, including the risk factors in Item 1A, Risk Factors of our 2011 Annual Report, which is available to shareholders upon request.

You should keep in mind that any forward-looking statement made by us in this discussion or elsewhere speaks only as of the date on which we make it. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this discussion after the date hereof, except as may be required by law. In light of these risks and uncertainties, any forward-looking statement made in this discussion or elsewhere, might not occur.

Overview

The first three months of 2012 generated very strong results, but within a range of expected results in the petroleum additives business. Revenue and operating profit increased from the first three months of 2011. In addition, product shipments rebounded from the lower levels of the fourth quarter of last year.

Our cash flow from operations remained strong during the three months 2012, allowing us to pay off the outstanding revolving credit facility balance from the end of 2011 and ending the 2012 period with an additional \$22.4 million in cash. Our working capital position also improved from last year.

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During 2012, we made some significant changes to our debt structure. We entered into a new \$650 million five-year, unsecured revolving credit facility, which replaced our previous \$300 million unsecured revolving credit facility. The new credit facility provides us with significantly lower cost of borrowing and increased operating flexibility to execute our long-term business plan. In April 2012, we used funds available under the \$650 million revolving credit facility to redeem all of our outstanding 7.125% senior notes in the aggregate principal amount of \$150 million. In early May, we intend to pay off the outstanding balance of the Foundry Park I mortgage loan agreement. During three months 2012, we recorded \$3.2 million for the loss on the early extinguishment of debt.

Results of Operation**Revenue**

Our consolidated revenue for the three months 2012 amounted to \$562.7 million, representing an increase of approximately 10.7% from the 2011 three months level of \$508.1 million. The table below shows our revenue by segment.

Consolidated Revenue by Segment*(in millions)*

	Three Months Ended	
	March 31	
	2012	2011
Petroleum additives	\$ 557.7	\$ 502.7
Real estate development	2.9	2.9
All other	2.1	2.5
Consolidated revenue	\$ 562.7	\$ 508.1

Petroleum Additives Segment

Petroleum additives net sales for the first three months 2012 of \$557.7 million increased \$55.0 million, or approximately 10.9%, from \$502.7 million for the first three months 2011. The increase in sales when comparing the two first quarter periods primarily resulted from higher selling prices, partially offset by an unfavorable impact from foreign currency and product shipments. When comparing the two periods, the U.S. Dollar strengthened against the major currencies in which we conduct business, including the Euro and Pound Sterling, resulting in an unfavorable foreign currency impact on revenue from sales. Total product shipments between the first quarter 2012 and first quarter 2011 were substantially unchanged, decreasing 1%.

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The table below details the approximate components, in millions, of the increase between the first three months of the 2012 and 2011 periods.

	Three Months <i>(in millions)</i>
Period ended March 31, 2011	\$ 502.7
Decrease in shipments, including changes in product mix	(4.4)
Increase in selling prices, including changes in customer mix	61.4
Decrease due to foreign currency	(2.0)
 Period ended March 31, 2012	 \$ 557.7

Real Estate Development Segment

The revenue reflected in the table above for both three months 2012 and 2011 for the real estate development segment represents the rental of an office building, which was constructed by Foundry Park I.

All Other

The All other category includes the operations of the TEL business and certain contract manufacturing performed by Ethyl.

Segment Operating Profit

NewMarket evaluates the performance of the petroleum additives business and the real estate development business based on segment operating profit. NewMarket Services Corporation (NewMarket Services) expenses are charged to NewMarket and each subsidiary pursuant to service agreements between the companies. Depreciation on segment property, plant, and equipment, as well as amortization of segment intangible assets is included in segment operating profit.

The table below reports segment operating profit for three months ended March 31, 2012 and March 31, 2011.

Segment Operating Profit

(in millions)

	Three Months Ended March 31	
	2012	2011
Petroleum additives	\$ 107.2	\$ 80.6
Real estate development	\$ 1.8	\$ 1.8
All other	\$ 0.5	\$ 0.2

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Petroleum Additives Segment

The petroleum additives operating profit increased \$26.6 million when comparing three months 2012 to three months 2011. When compared to 2011 operating profit levels for the first three months, results were higher across all major product lines, and in most major geographic regions in which we operate. Our operating profit margin increased to 19.2% for the three months 2012, as compared to 16.0% for three months 2011. The operating profit margin for the rolling four quarters ended March 31, 2012 was 15.4%, which is within our expectations of the performance of our business over the long-term. While operating profit margins will fluctuate from quarter to quarter due to multiple factors, we do not operate our business differently from quarter to quarter, as we believe the fundamentals of our business are unchanged. We continue to focus on developing and delivering innovative, technology-driven goods and services to our customers.

Higher selling prices, as discussed in the Revenue section above, was the predominant factor resulting in increased operating profit for three months 2012 as compared to the same 2011 period. Partially offsetting the impact of higher selling prices was an unfavorable impact from increased raw material costs when comparing three months 2012 and three months 2011. These 2012 results reflect pricing actions taken during 2011 and we believe, also reflect a continual upgrade in the value provided by our products. The operating profit results for three months 2012 were also impacted by some decrease in raw material costs from fourth quarter 2011 levels, but costs are now increasing. We continue to believe that we will be able to recover raw material cost changes in the marketplace, although recovery of costs will lag somewhat behind the increase in costs. While three months 2012 product shipments were down slightly compared to three months 2011, demand has rebounded from the lower levels of fourth quarter 2011 reflecting levels which are more in-line with normal quarterly industry consumption on average. Over the past several years, we have experienced fluctuations in quarterly demand, and we expect this will continue into future quarters and years. Partially offsetting the favorable factors on operating profit, were slightly unfavorable effects from planned spending in combined selling, general, and administrative expenses (SG&A) and research, development, and testing expenses (R&D).

In 2012, SG&A decreased approximately \$1.8 million, or 5.5%, over 2011 levels reflecting lower professional fees in 2012. R&D increased approximately \$3.4 million, or 14.0%, for three months 2012 when compared to the same 2011 period. We continue to invest in SG&A and R&D to support our customers' programs and to develop the technology required to remain a leader in this industry.

The following discussion references the Consolidated Financial Statements beginning on page 3 of this Quarterly Report on Form 10-Q.

Interest and Financing Expenses

Interest and financing expenses were \$4.5 million for three months 2012 and \$4.6 million for three months 2011. The decrease in interest and financing expenses between the two periods of 2012 and 2011 primarily related to lower average outstanding debt on the revolving credit facility during 2012, partially offset by a higher average interest rate as compared to the 2011 period.

Loss on Early Extinguishment of Debt

We recorded a \$3.2 million loss on the early extinguishment of debt related to the recognition of \$0.5 million of unamortized deferred financing costs on our previous revolving credit facility, as well as \$2.7 million from a portion of the early redemption premium on the senior notes. During the second quarter, we expect to recognize an additional loss on early extinguishment of debt of \$6.7 million comprising the remaining \$2.7 million early redemption premium on the senior notes, \$3.2 million of unamortized deferred financing costs on the senior notes, and \$0.8 million from unamortized deferred financing costs on the mortgage loan. Of the total expected loss of \$9.9 million on the early extinguishment of debt, approximately \$5.4 million will be a cash payment in the second quarter 2012. The remaining amounts will be a non-cash charge.

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Other Income (Expense), Net

Other income, net for three months 2012 was \$1.8 million, while other expense, net for three months 2011 was \$67 thousand. Three months 2011 includes \$1.0 million expense related to the consent we obtained in January 2011 from the holders of the senior notes to modify the formula for calculating the capacity under the senior notes to make certain restricted payments. The remaining amounts for both 2012 and 2011 primarily reflect the gain on a derivative instrument representing an interest rate swap recorded at fair value through profit and loss. See Note 9 for additional information on the interest rate swap.

Income Tax Expense

Income tax expense was \$32.3 million for three months 2012 and \$23.8 million for three months 2011. The effective tax rate was 32.6% for three months 2012, while three months 2011 was 32.4%. The increase in income before income tax expense resulted in an increase of \$8.3 million in income taxes, while the higher effective tax rate in 2012 as compared to 2011 resulted in an increase of \$0.2 million in income tax expense when comparing the three months 2012 and 2011 periods. The effective tax rate for the 2012 period reflects the benefit of a favorable impact from earnings in foreign locations with lower tax rates when compared to the 2011 period. This benefit was offset by a higher state income tax rate and the absence of a research and development credit for three months 2012 as compared to three months 2011.

Cash Flows, Financial Condition, and Liquidity

Cash and cash equivalents at March 31, 2012 were \$72.7 million, which was an increase of \$22.4 million since December 31, 2011 and included a \$1.3 million favorable impact from foreign currency translation.

Our cash and cash equivalents held by our foreign subsidiaries amounted to approximately \$48.9 million at March 31, 2012 and \$45.3 million at December 31, 2011. A significant amount, but not all, of these foreign cash balances are associated with earnings that we have asserted are indefinitely reinvested. We plan to use these indefinitely reinvested earnings to support growth outside of the United States through funding of operating expenses, research and development expenses, capital expenditures, and other cash needs of our foreign subsidiaries. Periodically, we repatriate cash from our foreign subsidiaries to the United States through intercompany dividends. These intercompany dividends are paid only by subsidiaries whose earnings we have not asserted are indefinitely reinvested or whose earnings qualify as previously taxed income, as defined by the Internal Revenue Code. If circumstances were to change that would cause these indefinitely reinvested earnings to be repatriated, an incremental U.S. tax liability would be incurred. As part of our foreign subsidiary repatriation activities, we received cash dividends of \$5.9 million for the three months ended March 31, 2012 and \$2.7 million for the three months ended March 31, 2011.

We expect that cash from operations, together with borrowing available under our revolving credit facility, will continue to be sufficient to cover our operating expenses for the foreseeable future.

Cash Flows - Operating Activities

Cash flows provided from operating activities for the three months 2012 were \$63.1 million and included a decrease of \$22.9 million due to higher working capital levels, including higher accounts receivable and lower accrued expenses, which were partially offset by higher accounts payable and income taxes payable. The increase in accounts receivable is primarily due to higher sales levels when comparing the 2012 period with the fourth quarter 2011. The decrease in

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accrued expenses primarily reflects payments related to customer rebates made during the three months 2012. The fluctuation in accounts payable is from normal differences in timing of payments, while the increase in income taxes payable reflects taxes due on earnings, which will be paid during the second quarter. Cash flows from operations also include a non-cash charge of \$3.2 million for a loss on the early extinguishment of debt. See Note 7 for additional information on our debt structure.

Including cash and the current portion of long-term debt, we had working capital of \$504.0 million at March 31, 2012 and \$463.7 million at December 31, 2011. The current ratio was 3.09 to 1 at March 31, 2012 and 3.15 to 1 at December 31, 2011.

Cash Flows Investing Activities

Cash used in investing activities was \$6.6 million during three months 2012 and included \$7.4 million for capital expenditures. Also included in investing activities was a net return of deposit of \$3.3 million and a net settlement payment of \$2.5 million related to the Goldman Sachs interest rate swap. Further information on the interest rate swap is discussed in Note 9. We estimate our total capital spending during 2012 will be approximately \$50 million. We expect to continue to finance capital spending through cash on hand and cash provided from operations, together with borrowing available under our \$650 million revolving credit facility.

Cash Flows Financing Activities

Cash used in financing activities during three months 2012 amounted to \$35.3 million. We repaid \$22.0 million under our revolving credit facility during the three months 2012. We also incurred \$2.4 million of debt issuance costs related to the \$650 million revolving credit facility, and we paid \$10.1 million to fund dividends during three months 2012.

We had total long-term debt, including the current portion, of \$220.6 million at March 31, 2012, representing a decrease of approximately \$22.9 million in our total debt since December 31, 2011. The decrease resulted primarily from the payment of \$22.0 million under the revolving credit facility.

At March 31, 2012, in addition to the short-term lines of credit, the revolving credit facility and the mortgage loan, which are discussed below, we had outstanding senior notes in the aggregate principal amount of \$150 million that bear interest at a fixed rate of 7.125% and are due in 2016. On March 15, 2012, at our request, Wells Fargo Bank, N.A., as trustee, issued a notice of redemption for all of our outstanding 7.125% senior notes. Under the indenture governing the senior notes, the redemption price is 103.563% of the outstanding aggregate principal amount, plus accrued and unpaid interest to the redemption date. Subsequently, on April 16, 2012, all of the senior notes were redeemed. We used borrowings under our revolving credit facility to finance the redemption. Through redemption, we will recognize total expenses of approximately \$8.5 million (\$2.7 million during the first quarter 2012 and \$5.8 million during the second quarter 2012) related to the prepayment premium and unamortized financing costs on the senior notes.

Two of our subsidiaries also have short-term lines of credit for working capital purposes. The line of credit for one of our subsidiaries in India is for 110 million Rupees and has an outstanding balance of 100 million Rupees or \$1.9 million at March 31, 2012. The line of credit for one of our subsidiaries in China is for \$10 million with an outstanding balance of \$5.9 million at March 31, 2012.

On March 14, 2012, we entered into a new Credit Agreement with a term of five years, which replaces our previous \$300 million revolving credit facility. The Credit Agreement provides for a \$650 million, multicurrency

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revolving credit facility, with a \$100 million sublimit for multicurrency borrowings, a \$100 million sublimit for letters of credit, and a \$20 million sublimit for swingline loans. The Credit Agreement includes an expansion feature, which allows us, subject to certain conditions, to request an increase to the aggregate amount of the revolving credit facility or obtain incremental term loans in an amount up to \$150 million. Borrowings bear interest at variable rates. The revolving credit facility matures on March 14, 2017. Additional information on the \$650 million revolving credit facility is in Note 7. We used a portion of this revolving credit facility to fund the early redemption of all of the outstanding principal of our senior notes on April 16, 2012, and we intend to use additional borrowings in early May to repay the mortgage loan, discussed below.

The following table provides information related to the unused portion of our revolving credit facility:

	March 31 2012	December 31 2011
	<i>(in millions)</i>	
Maximum borrowing capacity under the revolving credit facility	\$ 650.0	\$ 300.0
Outstanding borrowings under the revolving credit facility	0.0	22.0
Outstanding letters of credit	6.1	6.1
 Unused portion of revolving credit facility	 \$ 643.9	 \$ 271.9

Both the senior notes and each of the revolving credit facilities contain covenants, representations, and events of default that management considers typical of credit agreements of this nature. We were in compliance with all covenants under the senior notes as of both March 31, 2012 and December 31, 2011, as well as the \$650 million revolving credit facility at March 31, 2012 and the \$300 million revolving credit facility at December 31, 2011.

The more restrictive and significant of the covenants under the senior notes include a minimum fixed charge coverage ratio of 2.00, as well as a limitation on restricted payments, as defined in the agreement. Our fixed charge coverage ratio was 22.05 at March 31, 2012 and 20.46 at December 31, 2011 under the senior notes. In addition, we would have been permitted to make additional restricted payments in the amount of approximately \$150 million at March 31, 2012 and \$126 million at December 31, 2011 under the senior notes.

The more restrictive and significant financial covenants under both the previous and new revolving credit facility include:

A leverage ratio of no more than 3.00 to 1.00; and

An interest coverage ratio of no less than 3.00 to 1.00.

At March 31, 2012, the leverage ratio was 0.59 and the interest coverage ratio was 19.37, while at December 31, 2011 the leverage ratio was 0.69 and the interest coverage ratio was 17.90.

As a percentage of total capitalization (total debt and shareholders' equity), our total debt percentage decreased from 30.7% at the end of 2011 to 26.4% at March 31, 2012. The change in the percentage was the result of the decrease in debt, as well as an increase in shareholders' equity. The increase in shareholders' equity reflects our earnings, partially offset by the impact of dividend payments. Normally, we repay any outstanding long-term debt with cash from operations or refinancing activities.

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Foundry Park I Mortgage Loan Agreement and Interest Rate Swap

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. 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. The interest rate swap is discussed in Note 9. Principal payments on the loan are being made monthly based on a 15-year amortization schedule, with all remaining amounts due in January 2015, unless we exercise the extension option.

In early May 2012, we intend to pay in full the outstanding principal amount on the Foundry Park I mortgage loan agreement. There will be no prepayment penalty incurred. We expect to utilize borrowings under our revolving credit facility to finance the payment. Concurrently with the payoff of the mortgage loan agreement, the interest rate swap associated with the mortgage loan will also terminate. See Note 9 for information on the interest rate swap. Upon the payoff of the mortgage loan, we will recognize expense of approximately \$0.8 million related to the unamortized financing costs on the loan.

Critical Accounting Policies and Estimates

This report, as well as the 2011 Annual Report on Form 10-K, includes a discussion of our accounting principles, as well as methods and estimates used in the preparation of our financial statements. We believe these discussions and financial statements fairly represent the financial position and operating results of our company in all material respects. The purpose of this portion of our discussion is to further emphasize some of the more critical areas where a significant change in facts and circumstances in our operating and financial environment might cause a change in reported financial results.

Intangibles (Net of Amortization) and Goodwill

We have certain identifiable intangibles, as well as goodwill, amounting to \$36.4 million at March 31, 2012. These intangibles relate to our petroleum additives business and, except for the goodwill, are being amortized over periods with up to approximately 18 years of remaining life. We continue to assess the market related to these intangibles, as well as their specific values, and have concluded the values and amortization periods are appropriate. We also evaluate these intangibles for any potential impairment when significant events or circumstances occur that might impair the value of these assets. These evaluations continue to support the value at which these identifiable intangibles are carried on our financial statements. However, if conditions were to substantially deteriorate in the petroleum additives market, it could possibly cause a reduction in the periods of the amortization charge or result in a noncash write-off of a portion of the intangibles carrying value. A reduction in the amortization period would have no effect on cash flows. We do not anticipate such a change in the market conditions in the near term.

Environmental and Legal Proceedings

We believe our environmental accruals are appropriate for the exposures and regulatory guidelines under which we currently operate. While we currently do not anticipate significant changes to the many factors that could impact our environmental requirements, we continue to keep our accruals consistent with these requirements as they change.

While it is not possible to predict or determine with certainty the outcome of any legal proceeding, it is our opinion, based on our current knowledge, that we will not experience any material adverse effects on our results of operations, financial condition, or cash flows as a result of any pending or threatened proceeding.

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Pension Plans and Other Postretirement Benefits

We use assumptions to record the impact of the pension and postretirement plans in the financial statements. These assumptions include the discount rate, expected long-term rate of return on plan assets, rate of compensation increase, and health-care cost trend rate. A change in any one of these assumptions could result in different results for the plans. We develop these assumptions after considering available information that we deem relevant. Information is provided on the pension and postretirement plans in Note 19 of the 2011 Annual Report. In addition, further disclosure on the effect of changes in these assumptions is provided in the Financial Position and Liquidity section of Part II, Item 7 of the 2011 Annual Report.

Income Taxes

We file consolidated U.S. federal income and both consolidated and individual state income tax returns, as well as individual foreign income tax returns, under which assumptions may be made to determine the deductibility of certain costs. We make estimates related to the impact of tax positions taken on our financial statements when we believe the tax position is more likely than not to be upheld on audit. In addition, we make certain assumptions in the determination of the estimated future recovery of deferred tax assets.

Outlook

We have begun 2012 with very good results. We believe the fundamentals of how we run our business – a long-term view, safety-first culture, customer-focused solutions, technology-driven product offerings, world-class supply chain capability, and a regional organizational structure to better understand our customers' needs – continue to pay dividends to all of our stakeholders.

We expect 2012 to be a more profitable year than 2011, as we project an increase in volume, revenue and net income. Nonetheless, we do not expect all four quarters in 2012 to be as profitable as the first three months of 2012. There has been no significant change in the fundamentals of the petroleum additives business, and we expect the industry demand to continue to grow at a rate of 1% - 2%. We plan to exceed that rate by focusing on areas of the world where we are under-represented and delivering products that specifically meet the needs of those areas. Over the past several years, we have made significant investments to expand our capabilities around the world. These investments have been in people, research centers, and production capacity. We intend to use these new capabilities to improve our ability to deliver the goods and service that our customers value and to expand our business and profits. In summary, we expect the business practices that have produced the outstanding results of the past several years will continue in 2012.

Our business continues to generate significant amounts of cash beyond what is necessary for the expansion and growth of our current product lines. We regularly review the many internal opportunities which we have to utilize this cash, both from a geographical and product line point of view. We continue our efforts in investigating potential acquisitions as both a use for this cash and to generate shareholder value. As we have stated previously, our primary focus in the acquisition area remains on the petroleum additives industry. It is our view that this industry will provide the greatest opportunity for a good return on our investment while minimizing risk. We remain focused on this strategy and will evaluate any future opportunities. Nonetheless, we are patient in this pursuit and intend to make the right acquisition when the opportunity arises. Until an acquisition materializes, we will build cash on our balance sheet and will continue to evaluate all alternative uses of that cash to enhance shareholder value, including stock repurchases and dividends.

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ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

At March 31, 2012, there had been no significant changes in our market risk from the information provided in the 2011 Annual Report.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of internal control over financial reporting to provide reasonable, but not absolute, assurance of the reliability of the financial records and the protection of assets. Our controls and procedures include written policies and procedures, careful selection and training of qualified personnel, and an internal audit program. We use a third-party firm, separate from our independent registered public accounting firm, to assist with internal audit services.

We work closely with the business groups, operations personnel, and information technology to ensure transactions are recorded properly. Environmental and legal staff are consulted to determine the appropriateness of our environmental and legal liabilities for each reporting period. We regularly review the regulations and rule changes that affect our financial disclosures.

Our disclosure control procedures include signed representation letters from our regional officers, as well as senior management.

We have formed a Financial Disclosure Committee (the committee), which is made up of the president of Afton Chemical Corporation, the general counsel of NewMarket, and the controller of NewMarket. The committee, as well as regional management, makes representations with regard to the financial statements that, to the best of their knowledge, the report does not contain any misstatement of a material fact or omit a material fact that is necessary to make the statements not misleading with respect to the periods covered by the report.

The committee and the regional management also represent, to the best of their knowledge, that the financial statements and other financial information included in the report fairly present, in all material respects, the financial condition, results of operations, and cash flows of the company as of and for the periods presented in the report.

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the Exchange Act), we carried out an evaluation, with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e)) under the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures are effective.

Changes in Internal Controls Over Financial Reporting

There has been no change in our internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act, during the quarter ended March 31, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

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 in Note 8.

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, results of operations, or cash flows.

As we previously disclosed, the United States Department of Justice has advised us that it is conducting a review of certain of our foreign business activities in relation to compliance with relevant U.S. economic sanctions programs and anti-corruption laws, as well as certain historical conduct in the domestic U.S. market, and has requested certain information in connection with such review. We are cooperating with the investigation. In connection with such cooperation, we have voluntarily agreed to provide certain information and are conducting an internal review for that purpose.

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ITEM 6. Exhibits

Exhibit 3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Form 10-K (File No. 1-32190) filed March 14, 2005)
Exhibit 3.2	NewMarket Corporation Bylaws Amended and Restated effective April 23, 2009 (incorporated by reference to Exhibit 3.1 to Form 8-K (File No. 1- 32190) filed February 23, 2009)
Exhibit 10.1	Credit Agreement, dated as of March 14, 2012, by and among the Company and the Foreign Subsidiary Borrowers party thereto; the Lenders party thereto: JPMorgan Chase Bank, N.A. as Administrative Agent; Citizens Bank of Pennsylvania as Syndication Agent; and Bank of America, N.A. and PNC Bank, National Association as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to Form 8-K (File No. 1-32190) filed March 16, 2012)
Exhibit 31(a)	Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Thomas E. Gottwald
Exhibit 31(b)	Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by David A. Fiorenza
Exhibit 32(a)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Thomas E. Gottwald
Exhibit 32(b)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by David A. Fiorenza
Exhibit 99.1	Notice of Full Redemption dated March 15, 2012, relating to the redemption of all of the Company's outstanding 7.125% Senior Notes (incorporated by reference to Exhibit 10.1 to Form 8-K (File No. 1-32190) filed March 16, 2012)
Exhibit 101	XBRL Instance Document and Related Items

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEWMARKET CORPORATION

(Registrant)

Date: May 2, 2012

By: /s/ D. A. Fiorenza
David A. Fiorenza
Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 2, 2012

By: /s/ Wayne C. Drinkwater
Wayne C. Drinkwater
Controller
(Principal Accounting Officer)

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