

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re:	X
	: Chapter 11
	:
Lyondell Chemical Company, <i>et.al.</i> ,	: Case No. 09-10023
	:
Debtors.	: (Jointly Administered)
	:
	:
	X

**MONTHLY OPERATING REPORT FOR THE PERIOD FROM  
SEPTEMBER 1, 2009 TO SEPTEMBER 30, 2009**

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The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies under penalty of perjury, that the information contained therein is complete, accurate and truthful to the best of my knowledge.

/s/ Kent Potter  
\_\_\_\_\_  
Kent Potter  
Chief Financial Officer

DATE: October 30, 2009

**LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS**  
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**LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS**  
**COMBINED STATEMENT OF INCOME**  
**(UNAUDITED)**

<u>Millions of dollars</u>	<b>For the month ended September 30, 2009</b>
<b>Sales and other operating revenues:</b>	
Trade	\$ 1,549
Non-Debtor affiliates	45
	1,594
<b>Operating costs and expenses:</b>	
Cost of sales	1,509
Selling, general and administrative expenses	17
Research and development expenses	4
	1,530
Operating income	64
Interest expense	(131)
Interest income - non-Debtor affiliates	22
Other income, net	47
Income before reorganization items, equity investments and income taxes	2
Reorganization items	(821)
Income from equity investments - non-Debtor affiliates	12
Loss before income taxes	(807)
Benefit from income taxes	(371)
<b>Net loss from continuing operations</b>	<b>(436)</b>
Discontinued operations	--
<b>Net loss</b>	<b>\$ (436)</b>

See Notes to the Combined Financial Statements.

**LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS**  
**COMBINED BALANCE SHEET**  
**(UNAUDITED)**

<u>Millions of dollars</u>	<u>September 30,</u> <u>2009</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 360
Short-term investments	12
Accounts receivable:	
Trade, net	1,320
Related parties	2
Non-Debtor affiliates	327
Inventories	1,728
Current deferred income tax assets	6
Prepaid expenses and other current assets	696
Total current assets	4,451
Property, plant and equipment, net	9,771
Investments and long-term receivables:	
Investment in PO joint venture	569
Investments in non-Debtor affiliates	5,243
Other investments and long-term receivables	28
Intangible assets, net	1,380
Noncurrent deferred tax assets	3
Other assets	189
Total assets	\$ 21,634

See Notes to the Combined Financial Statements.

**LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS**  
**COMBINED BALANCE SHEET**  
**(UNAUDITED)**

<u>Millions of dollars</u>	<u>September 30,</u> <u>2009</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>	
Current liabilities:	
Current maturities of long-term debt	\$ - -
Short-term debt	5,390
Accounts payable:	
Trade	985
Related parties	7
Non-Debtor affiliates	615
Accrued liabilities	630
Short-term loans payables - non-Debtor affiliates	114
Deferred income taxes	142
Total current liabilities	7,883
Long-term debt	- -
Other liabilities	226
Deferred income taxes	1,904
Liabilities subject to compromise	22,243
Commitments and contingencies	
Stockholder's equity:	
Common stock	60
Additional paid-in capital	563
Retained deficit	(8,244)
Receivables - non-Debtor affiliates	(2,794)
Accumulated other comprehensive loss	(331)
Debtors' share of stockholder's equity	(10,746)
Non-controlling interests	124
Total equity	(10,622)
Total liabilities and stockholder's equity	\$ 21,634

See Notes to the Combined Financial Statements.

**LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS**  
**COMBINED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**

<u>Millions of dollars</u>	<u>For the month ended September 30, 2009</u>
<b>Cash flows from operating activities:</b>	
Net loss	\$ (436)
Net income - discontinued operations	--
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	90
Reorganization charges	821
Reorganization-related payments	(35)
Equity investments - income	(12)
Deferred income taxes	(337)
Amortization of debt-related costs	42
Foreign currency exchange gain	(63)
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable	73
Inventories	(96)
Accounts payable	17
Other, net	106
Net cash provided by operating activities - continuing operations	170
Net cash used in operating activities - discontinued operations	--
Net cash provided by operating activities	170
<b>Cash flows from investing activities:</b>	
Expenditures for property, plant and equipment	(20)
Loan repayments from non-Debtor affiliates	120
Proceeds from disposal of assets	2
Net cash provided by investing activities	102
<b>Cash flows from financing activities:</b>	
Net repayments on debtor-in-possession revolving credit facility	(135)
Net cash used in financing activities	(135)
Effect of exchange rate changes on cash	--
<b>Increase in cash and cash equivalents</b>	137
Cash and cash equivalents at beginning of period	223
Cash and cash equivalents at end of period	\$ 360

See Notes to the Combined Financial Statements.

**LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 1. Basis of Presentation

On January 6, 2009, Lyondell Chemical Company (the “Company”), certain of its subsidiaries and certain subsidiaries of its parent, LyondellBasell Industries AF S.C.A., (collectively, the “Initial Debtors”) filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “U.S. Bankruptcy Code”) in the U.S. Bankruptcy Court in the Southern District of New York (“U.S. Bankruptcy Court”). In addition, voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code were filed by LyondellBasell Industries AF S.C.A., the Luxembourg holding company, (“LyondellBasell” or the “Parent”) and its General Partner, LyondellBasell AF GP S.à.r.l., on April 24, 2009 and by thirteen additional U.S. subsidiaries on May 8, 2009, (collectively, with the Initial Debtors, LyondellBasell and its General Partner, the “Debtors”). All 94 of these cases (the “Bankruptcy Cases”) are jointly administered in the U.S. Bankruptcy Court under the caption “*In re Lyondell Chemical Company, et. al.*” (see Note 2).

The accompanying combined financial statements of the Debtors have been prepared solely for the purpose of complying with the monthly reporting requirements of the U.S. Bankruptcy Court.

The monthly information presented herein is unaudited and has been prepared from the books and records of Lyondell Chemical Company and Related Debtors on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As discussed in Note 2, the chapter 11 filing and related matters raise substantial doubt about the ability of the Debtors to continue as a going concern. The accompanying combined financial statements of the Debtors do not reflect any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Debtors be unable to continue as a going concern.

Pursuant to accounting principles generally accepted in the United States of America (“U.S. GAAP”), certain pre-petition liabilities of the Debtors have been reclassified to long-term liabilities on the accompanying combined balance sheet as liabilities subject to compromise (see Note 5). Liabilities subject to compromise currently include the Debtors’ long-term debt that is considered undersecured and amounts due from the Debtors to vendors and employees for goods and services received prior to the January 6, 2009, April 24, 2009 and May 8, 2009 petition dates, and include damage claims created by the Debtors’ rejection of executory contracts. The Debtors continue to analyze and reconcile these amounts; therefore, the amounts reflected herein are current estimates and subject to change as additional analysis takes place. Liabilities subject to compromise are distinguished from pre-petition liabilities of the Debtors estimated to be fully secured, and post-petition liabilities of the Debtors.

The Debtors recognize claims at the probable allowed amount. Claims for rejected contracts are recorded at the earlier of default by the Debtors under the contract or notification to the U.S. Bankruptcy Court of rejection.

Intercompany transactions between the Debtors, including LyondellBasell, have been eliminated in the accompanying combined financial statements. Intercompany transactions between the Debtors and non-Debtor affiliates have not been eliminated in these combined financial statements. Intercompany loans, comprising \$2,772 million of short-term loans receivable and \$22 million of long-term loans receivable are classified as “Receivables - non-Debtor affiliates” in Stockholder’s Equity in accordance with U.S. GAAP. The ultimate settlement terms of these intercompany loans with non-Debtor affiliates is subject to the finalization and confirmation of the Debtors’ plan of reorganization.

These combined financial statements are based on the Debtors’ combined financial statements as of and for the nine months ended September 30, 2009, which have not yet been finalized. Accordingly, the financial information herein is subject to change and any such change could be material. In addition, these statements do not contain all disclosures that would be required for presentation in accordance with U.S. GAAP.



## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 2. Chapter 11 Proceedings

Although under applicable non-bankruptcy law the commencement of the Bankruptcy Cases constituted an event of default under many of the debt agreements of LyondellBasell and many of its direct and indirect subsidiaries and affiliates, and an event of termination under certain of their asset-backed facilities, the ability of lenders to enforce their rights under the credit facilities and the ability of other creditors to seek payment of pre-petition liabilities or to take actions against the Debtors under other agreements are stayed with respect to the Debtors in substantially all cases in accordance with applicable provisions of the U.S. Bankruptcy Code. Moreover, the termination provisions in many agreements with the Debtors triggered by the commencement of the Bankruptcy Cases are not enforceable under the U.S. Bankruptcy Code. Since the commencement of the Bankruptcy Cases, the Debtors have replaced certain of their asset-backed facilities through new debtor-in-possession financing (the “DIP Financing”). In addition, the required number of secured lenders entered into forbearance agreements, as applicable, with respect to the exercise of certain remedies under the amended and restated pre-petition Senior Secured Credit Agreement and Interim Loan, each originally dated as of December 20, 2007. For additional information on the DIP Financing and the amendments thereto, see Note 3.

The Debtors continue to operate their businesses as “debtors in possession” under the jurisdiction of the U.S. Bankruptcy Court and in accordance with the applicable provisions of the U.S. Bankruptcy Code. In general, as debtors in possession, the Debtors continue to operate as ongoing businesses, but may not engage in certain transactions without the prior approval of the U.S. Bankruptcy Court. As part of the bankruptcy process, the Debtors will seek to negotiate a plan of reorganization with their creditors. The Debtors have filed a plan of reorganization that they will seek to have confirmed by the U.S. Bankruptcy Court. Confirmation of the plan of reorganization will discharge pre-petition liabilities against the Debtors and permit the Debtors to commence distributions to their creditors in accordance with the terms of that plan.

In order to emerge from the Bankruptcy Cases, the Debtors plan of reorganization must comply with the requirements of the U.S. Bankruptcy Code. In addition, the Debtors must repay certain of their obligations under the DIP Financing. The Debtors believe that their current and forecasted level of activity through February 3, 2010, the maturity date of the amended DIP Financing agreements, will be sufficient to maintain compliance with the DIP Financing and related forbearance agreements as discussed below, and to allow the Debtors to seek approval of a plan of reorganization and related restructuring of their debt. However, should business activity levels be below expectations or should margin volatility require more liquidity than the amount to which the Debtors have access through the DIP Financing or should any non-Debtor legal entity be subjected to an involuntary bankruptcy proceeding, the Debtors could default on their DIP Financing obligations. Upon an event of default, the DIP Financing lenders could seek to impose onerous credit and other terms as a condition for waiving the default or demand other concessions. Ultimately, the lenders could declare all the funds borrowed under the DIP Financing, together with accrued and unpaid interest, due and payable and could exercise remedies against their collateral and seek other relief. The outcome of these events and, in general, the Bankruptcy Cases is uncertain, which raises substantial doubt about the ability of LyondellBasell to continue as a going concern.

In April and May 2009, the Debtors filed their required Schedules of Assets and Liabilities and the Statements of Financial Affairs in the U.S. Bankruptcy Court. As described in more detail below, on May 8, 2009, the U.S. Bankruptcy Court set June 30, 2009 as the claims bar date, which is the date by which substantially all non-governmental creditors were required to file their proofs of claim against the Debtors.

## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 2. Chapter 11 Proceedings—(Continued)

As part of their reorganization plan, the Debtors have developed and finalized a new long range plan, which is further described below. The amended DIP Financing agreements require the Debtors to meet the following milestones related to the plan of reorganization and associated disclosure statement (see the “DIP Financing Amendments” section of Note 3):

- by August 15, 2009, deliver a draft of the plan of reorganization and disclosure statement to relevant parties;
- by September 15, 2009, file the plan of reorganization and disclosure statement with the U.S. Bankruptcy Court;
- by December 4, 2009, obtain the U.S. Bankruptcy Court’s approval of the disclosure statement, provided that if the Debtors have commenced a hearing seeking approval of the disclosure statement before such date with the reasonable belief that approval could be obtained by December 4, 2009, but the hearing is not concluded by December 14, 2009 due to the lack of the U.S. Bankruptcy Court’s availability, the deadline is extended to December 21, 2009; and
- by January 20, 2010, obtain U.S. Bankruptcy Court confirmation of the plan of reorganization, provided that if the Debtors have commenced a hearing seeking confirmation before such date with the reasonable belief that confirmation could be obtained by January 20, 2010, but it is not obtained by such date due to the lack of the U.S. Bankruptcy Court’s availability, the confirmation deadline shall be extended by up to twenty-one days.

The Debtors delivered a draft plan of reorganization and disclosure statement to the administrative agents and advisors for the DIP lenders on August 14, 2009. On September 11, 2009, the Debtors filed the plan of reorganization and disclosure statement with the U.S. Bankruptcy Court.

During the fourth quarter of 2008, the carrying values of LyondellBasell’s goodwill and certain long-lived assets were impaired as a result of revisions to LyondellBasell’s long term cash flow projections by management in response to the significant deterioration in business conditions. Given the continuing weakness in LyondellBasell’s markets, and the possibility of further weakness in demand for refining products and protracted trough conditions in global petrochemicals markets, the Company continues to evaluate the need for further impairments of the carrying value of its long-lived assets, in addition to the impairments already recognized in 2008 and the first half of 2009.

In 2009, LyondellBasell announced an expansion of its November 2008 cost reduction program. As part of their chapter 11 cases, the Debtors have developed a new long range plan, which encompasses reductions in the total workforce and the closure of 10 or more manufacturing sites, many of which have already been announced and at least 20 offices, including research and development sites. The planned reduction in workforce includes more than 3,000 employees, or approximately 17% of LyondellBasell’s employees, and 2,000 contractors, or approximately 30% of LyondellBasell’s contractors. In April 2009, LyondellBasell announced a voluntary separation program for eligible U.S. employees and in May 2009 announced a voluntary separation program for The Netherlands and Germany.

## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 2. Chapter 11 Proceedings—(Continued)

In September 2009, the Company announced that it would permanently close its low density polyethylene (“LDPE”) plant located at the Carrington, U.K. site by the end of 2009. Based on the current market environment and the Company’s future projections, it was determined that the plant was no longer economically viable. Approximately 50 employees will be affected by the closure of the facility, and the Company has started consultations with the trade union and its employee representatives.

On July 17, 2009, the Debtors filed a motion with the U.S. Bankruptcy Court seeking to withdraw as general partner from its joint venture, which produced ethylene glycol at a facility in Beaumont, Texas; to reject the related operating agreement; and to transfer custody and control of the facility and its assets to its joint venture partner. On February 26, 2009, the Debtors received Bankruptcy Court approval for the reduction of the workforce at this facility, following completion of initial phases of certain post-hurricane remediation at the site. The facility, which sustained damage during Hurricane Ike in September 2008, was not returned to service. The Debtors’ earnings for the first nine months of 2009 reflect a \$55 million pretax charge to write off the carrying value of this facility. On August 11, 2009, the U.S. Bankruptcy Court granted the Debtor’s motion. The Debtors expect annual savings of approximately \$4 million as a result of this action. In August 2009, the Debtors received approximately \$2 million from its joint venture partner for outstanding amounts due.

On March 13, 2009, the U.S. Bankruptcy Court approved the long-term idling of Debtor Equistar Chemicals, LP’s (“Equistar”) Chocolate Bayou olefins plant near Alvin, Texas the reduction of approximately 220 employees supporting olefins operations at the site and the rejection of certain executory contracts and unexpired leases related to the facility. In the same March 13, 2009 order, the U.S. Bankruptcy Court authorized Equistar to reject its ground lease at the Chocolate Bayou plant, pursuant to which Equistar leased the real property occupied by the olefins plant operations, and to permanently shut down the unit by August 4, 2009. Accordingly, in the first nine months of 2009, the Debtors wrote off the \$622 million carrying value of the facility and other assets. The decision to permanently cease production at the Chocolate Bayou olefins plant, reflected the Company’s reduced projections for olefins demand, the limited feedstock flexibility of the site, the high fixed costs associated with the plant’s scale and the adverse terms of the property lease and related site service agreements.

The Debtors proceeded with idling activities and with plans to vacate the site by August 4, 2009. In July 2009 the current and former owner of the Chocolate Bayou real property filed a motion to enforce and clarify the March 13, 2009 order authorizing these activities. Their motion claimed, among other things, that Equistar could not leave its olefins chemical plant equipment and facilities behind on the Chocolate Bayou real property without filing a motion requesting the U.S. Bankruptcy Court’s approval to abandon this equipment and facilities. The owners also made it clear that they would oppose any motion to abandon on the ground that the olefins equipment and facilities were hazardous and required further remediation and decommissioning.

## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 2. Chapter 11 Proceedings—(Continued)

On August 5, 2009, pending the U.S. Bankruptcy Court's ruling on the motion, the U.S. Bankruptcy Court ordered Equistar to remain in possession of the leasehold and to maintain the status quo at the facility. On September 9, 2009, the U.S. Bankruptcy Court ordered that Equistar could not leave personal property behind when it vacated the facility without formally seeking permission to abandon that personal property. Accordingly, on October 16, 2009 the Debtors filed a motion to abandon their olefins plant property located at the Chocolate Bayou plant. The U.S. Bankruptcy Court has scheduled an evidentiary hearing on the abandonment motion for November 19, 2009. While the Company believes that the motion will be granted, should the U.S. Bankruptcy Court require complete de-inventorying and cleaning of the olefins plant property, the Company preliminarily estimates that such cost could range from \$45 million to \$90 million.

In May 2009, LyondellBasell announced that it would cease production of high density polyethylene ("HDPE") at its Chocolate Bayou polymers plant by July 31, 2009. In June 2009, LyondellBasell announced that operations at the plant would continue, in order to provide additional time for the transition of customers to other manufacturing plants, and in August 2009, announced that it would continue to operate the plant for the immediate future. The Company continues to assess the long-term utilization of this and other plants.

Also in May 2009, based on reduced demand in North American automotive and other durable goods industries, as well as the expected slow recovery of these markets, the Debtors' made the decision to temporarily idle three production lines at the Mansfield, Texas advanced polyolefins compounding facility, two of which resumed operations in July 2009. The Debtors also announced that an additional production line at the facility will be permanently shut down. As a result, the site will reduce its workforce to appropriate levels.

*Environmental Remediation*—In June 2009, environmental remediation liabilities related to third-party sites of \$133 million, including \$100 million related to the Kalamazoo River Superfund Site, were reclassified from "Other liabilities" to "Liabilities subject to compromise." In September 2009, in accordance with the bankruptcy claims settlement process, the basis for the accrued liability was adjusted to reflect the Debtors' estimate of the expected amount of the claims that will be allowed by the bankruptcy court, resulting in a \$482 million charge that was classified in "Re-organization items" in the Combined Statement of Income. As a result, the total amount of the accrued liability included in "Liabilities subject to compromise" reflects the expected amount of the allowed claims (see Notes 4 and 5), even if they potentially may be settled for lesser amounts. Accordingly, the amounts currently classified as liabilities subject to compromise may be subject to future adjustments depending on the U.S. Bankruptcy Court's actions, further development with respect to the disputed claims, the values of any collateral securing such claims, or other events. The Debtors are seeking a determination from the U.S. Bankruptcy Court that any claims or fines asserted against a Debtor with respect to such sites would be pre-petition claims, the collection of which is stayed by the applicable provisions of the U.S. Bankruptcy Code and that will ultimately be discharged as a general unsecured claim under the Debtors' plan of reorganization.

## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 2. Chapter 11 Proceedings—(Continued)

*Litigation*—On April 16, 2009, the U.S. Bankruptcy Court held a hearing on a motion by the Debtors (the “Stay Motion”) to enforce the automatic stay and for an injunction against further prosecution of a lawsuit filed in the Superior Court of California by certain California city and county government plaintiffs, captioned *County of Santa Clara, et al. v. Atl. Richfield Co., et al.*, Case No. CV 788657 (the “Santa Clara Lawsuit”), that asserted a public nuisance claim against defendants arising from the alleged effects of exposure to lead paint in houses and buildings, and seeking an order requiring the defendants to fund a remedial fund for lead paint removal. On April 23, 2009, the U.S. Bankruptcy Court entered an order on the Stay Motion: (i) requiring the California government plaintiffs to file a commitment by a stated deadline agreeing to refrain from proceeding against Millennium Holdings LLC (a Debtor), in the Santa Clara Lawsuit or asserting claims against such Debtor based on the operative facts in that case without first moving for and obtaining leave to do so from the U.S. Bankruptcy Court; and (ii) if such plaintiffs fail to file such a commitment by the deadline, enjoining them from proceedings against such Debtor in the Santa Clara Lawsuit or otherwise asserting claims based on the operative facts in that case. The U.S. Bankruptcy Court also stated from the bench at the hearing on the Stay Motion that any such claim asserted against the Debtors would be a pre-petition claim that is barred by the automatic stay provisions of the U.S. Bankruptcy Code (and would not qualify under any “police power” exception to the automatic stay). In response to the Bankruptcy Court’s April 23, 2009 order, all of the California government plaintiffs filed the required commitment by the stated deadline.

*Unsecured Creditors Committee Standing Motion*—On June 15, 2009, the statutorily appointed Committee of Unsecured Creditors (the “Committee”) in the Bankruptcy Cases filed a motion with U.S. Bankruptcy Court to obtain standing to commence litigation on behalf of the Debtors. Specifically, the Committee sought standing to bring fraudulent transfer, preference and breach of fiduciary duty claims against a number of the parties connected to the merger of Lyondell Chemical Company and Basell AF S.C.A. (now known as LyondellBasell Industries AF S.C.A.). On July 21, 2009, the Committee was granted standing, and filed their complaint commencing the proposed lawsuit on July 22, 2009. LyondellBasell itself is not a party to the lawsuit, or a named defendant, and the action does not seek damages from LyondellBasell.

On August 4, 2009, the Court ruled from the bench on case management issues related to the Committee’s adversary proceeding. The Court determined that the litigation would be divided into three separate phases, and set a discovery schedule for the first phase of the proceedings. Trial on the first phase (“Phase I Trial”) is set to begin on December 1, 2009, and will litigate the fraudulent transfer, preference, and equitable subordination claims against the Debtors’ prepetition lenders and their subsidiary guarantors, as well as the fraudulent transfer claims against certain Access entities and the Debtors’ officers and directors. The second phase (“Phase IA Trial”) will address, if necessary, the solvency of each individual Debtor, and any related or appropriate remedy as a result. The third phase (“Phase II Trial”) will litigate the remaining claims in the Committee’s complaint.

## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 2. Chapter 11 Proceedings—(Continued)

While the Company believes that Phase I of the Committee's litigation can be resolved in a timely manner, the Debtors obtained amendments to the DIP Financing agreements in October 2009 to extend the milestone related to the approval of the disclosure statement for the plan of reorganization from October 15 to December 4, 2009 and the plan confirmation milestone from December 1, 2009 to January 20, 2010. The amendments also extended the maturity of the DIP Financing agreements from December 15, 2009 to February 3, 2010. For a discussion of the amendments, see Note 3.

On October 28, 2009, the U.S. Bankruptcy Court ordered the appointment of an examiner solely to determine, in the examiner's view, whether the Debtors have done anything out of the ordinary in connection with their decisions regarding: (1) the selection of a sponsor of the equity rights offering contemplated by the Debtors as part of their exit financing package required for emergence from chapter 11; (2) whether or not to get new DIP facility financing; and (3) the establishment of a litigation reserve in the Debtors' proposed plan of reorganization, in each case by reason of a conflict of interest or other breach of fiduciary duty or by acting in bad faith. The examiner is not to report his or her views on the Debtors' business judgment or merits of any party's plan proposal in these areas, but is authorized to comment on, but not to affirmatively investigate, whether and to what extent any party has used leverage in the case to put pressure on the Debtors in connection with any plan proposal. The U.S. Bankruptcy Court's ruling on the examiner issue (a) is not based on, and does not represent, a finding by the Court that an examiner is needed because of any wrongdoing or impropriety by the Debtors or any other party, or that there is probable cause of any such wrongdoing or impropriety and (b) is without prejudice to any party to seek or oppose a further investigation after the examiner's report is issued. The examiner's report is to be filed under seal with the U.S. Bankruptcy Court within 30 days after his or her appointment.

*Aircraft Deicer Business*—On September 8, 2009 the U.S. Bankruptcy Court approved the Debtors' exit from the aircraft deicer business as well as the rejection of executory contracts and equipment leases. The Debtors are exiting the aircraft deicer business, but will continue to supply that market with propylene glycol, the primary component of deicer products.

*Other*—On April 27, 2009, Access Industries Holdings, LLC and certain of its affiliates (together, the "Access Group") entered into a stipulation (the "Stipulation") with the Debtors, pursuant to which the Access Group agreed to limit its ability to engage in certain transactions involving the Debtor's equity and debt in order to protect and preserve the value of the Debtors' net operating loss carryforward ("NOL") and other valuable tax attributes. Specifically, the Access Group agreed that it would not: (i) directly or indirectly dispose of its equity interests in certain of the Debtors to the extent such disposition would result in it owning directly or indirectly less than 50% of LyondellBasell's outstanding voting stock; (ii) prior to making a transfer that would result in the Access Group owning a direct or indirect interest of no more than 50% of LyondellBasell, acquire pre-petition debt claims against, or DIP Roll-Up Loans owed by, the Debtors; (iii) report a worthless stock deduction with respect to equity of LyondellBasell Finance Company ("LBFC") or any member of the consolidated group of which LBFC is the common parent; or (iv) undertake any other transaction, that could result in the Debtors losing the benefit of their NOLs and other valuable tax attributes. In addition, the Access Group agreed to indemnify the Debtors for certain taxes and professional fees arising out of certain breaches of the Stipulation. The parties subsequently amended the Stipulation, primarily to clarify and expand upon the terms of the indemnity. The Stipulation was approved by the U.S. Bankruptcy Court on May 21, 2009.



**LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

**2. Chapter 11 Proceedings—(Continued)**

On July 2, 2009, Nell Limited (“Nell”), an Access affiliate and the indirect owner of 100% of the share capital of LyondellBasell, transferred its indirect ownership interest in LyondellBasell to ProChemie GmbH (“ProChemie”), a wholly owned subsidiary of ProChemie Holding Ltd. (“ProChemie Holding”). As of July 2, 2009, Nell and ProChemie Holding each own 50% of ProChemie, which owns 100% of the share capital of LyondellBasell.

On January 6, 2009, as a result of the commencement of the Bankruptcy Cases, the statutory auditor of LyondellBasell’s French entities was required to initiate a process called “Procédure d’Alerte,” which is designed to permit companies to restructure and reduce their debts while they continue their daily operations, and requires the company’s Chairperson to provide perspective on information about the company provided by the statutory auditor. LyondellBasell’s French entities have responded to all requirements of the Chairman of the Commercial Court of Salon de Provence/Nanterre and continue to manage their operations. LyondellBasell’s net investment in the French entities was \$1.6 billion at September 30, 2009.

For additional information regarding the Bankruptcy Cases, please refer to LyondellBasell’s Consolidated Financial Statements for the Quarters ended March 31, 2009 and June 30, 2009, and the Year Ended December 31, 2008, which have been posted to its website at [www.lyondellbasell.com](http://www.lyondellbasell.com).

**3. Debt**

In connection with the Bankruptcy Cases, and after obtaining forbearance agreements from the required number of secured lenders under the current senior secured and other secured loans, the Debtors received U.S. Bankruptcy Court approval of the DIP Financing, which provided senior secured super priority debtor-in-possession financing facilities in an aggregate amount of up to \$8,040 million on March 1, 2009 (with \$3,250 million representing a dollar-for-dollar roll up, or conversion, of previously outstanding senior secured loans), with an option to increase one of the facilities by up to \$460 million through the addition of new lenders. On March 12, 2009 and July 15, 2009, new lenders were added increasing the DIP Financing by \$30 million and \$50 million, respectively, to \$8,120 million.

Loans, notes, debentures and other debt due to banks and other unrelated parties consisted of the following:

<u>Millions of dollars</u>	<u>September 30, 2009</u>
<b><u>Debtor-in-Possession Credit Agreement</u></b>	
Term Facility due 2009:	
New Money Loans	\$ 2,167
Roll-Up Loans – Senior Secured Credit Facility:	
Term Loan A due 2013 – U.S. tranche	385
Term Loan B due 2014 – U.S. tranche (\$4 million of discount)	2,011
Term Loan B due 2014 – German tranche	465
Revolving Credit Facility	202
ABL Facility	160
	<hr style="border-top: 1px solid black;"/>
	5,390
	<hr style="border-top: 1px solid black;"/>
Total debt	5,390
Less:	
Current maturities	--
Short-term debt	(5,390)
	<hr style="border-top: 1px solid black;"/>
Total Long-term debt	\$ --
	<hr style="border-top: 3px double black;"/>

**LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

**3. Debt—(Continued)**

The following debt outstanding immediately preceding the Chapter 11 filings, on January 6, 2009, has been reclassified from long-term debt and is currently reflected on the accompanying balance sheet as “Liabilities subject to compromise.” In September 2009, additional debt amounts were reclassified from short term debt to “Liabilities subject to compromise.” This included the U.S. tranche of Term Loan A, the U.S. and German tranches of Term Loan B, the Revolving Credit Facility, the 10.25% Debentures due 2010, the 9.8% Debentures due 2020 and the 7.55% Debentures due 2026.

<u>Millions of dollars</u>	<u>September 30, 2009</u>
Bank credit facilities:	
Interim Loan	\$ 8,000
First lien secured debt:	
Senior Secured Credit Facility:	
Term Loan A due 2013 - U.S. tranche	1,044
Term Loan B due 2014:	
U.S. tranche	5,459
German tranche	1,258
Revolving Credit Facility	548
Debentures due 2010, 10.25%	100
Debentures due 2020, 9.8%	225
Debentures due 2026, 7.55%	150
Senior Notes due 2015, \$615 million	615
Senior Notes due 2015, €500 million	733
Senior Debentures due 2026, 7.625%	241
State of Maryland	1
Total	<u>\$ 18,374</u>

The amended DIP Financing described below matures on, and requires the Debtors to emerge from the Bankruptcy Cases by, February 3, 2010, provided that if the confirmation date of the plan of reorganization is extended due to the lack of the U.S. Bankruptcy Court’s availability, the maturity date of the DIP Financing will be extended by up to twenty-one days. The capital structure of the Debtors on emergence from chapter 11 will be set in the reorganization plan that must be confirmed by the U.S. Bankruptcy Court.

*DIP Financing*—On January 8, 2009, the Debtors received interim U.S. Bankruptcy Court approval of senior secured super priority DIP Financing. On March 1, 2009, the Debtors received final U.S. Bankruptcy Court approval of the DIP Financing, comprising (i) a \$6,500 million term loan facility (“DIP Term Loan Facility”); and (ii) up to \$1,540 million, subject to a borrowing base, representing a new asset-based facility (“DIP ABL Facility”). The DIP Term Loan Facility consists of: (a) \$3,250 million of new funding (the “New Money Loans”); and (b) \$3,250 million representing a dollar-for-dollar roll up, or conversion, of previously outstanding senior secured loans (“Roll-Up Loans”).



## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 3. Debt—(Continued)

The initial proceeds of the DIP Financing were used: (i) to refinance, in full, (A) the Senior Secured Inventory-Based Facility, (B) the \$1,150 million Accounts Receivable Securitization Facility, (C) the \$200 million North American accounts receivable securitization program, and (D) the \$100 million super emergency interim DIP Financing; (ii) to pay related transaction costs, fees and expenses; (iii) to provide working capital; and (iv) for other general corporate purposes of the Debtors as well as the non-U.S. subsidiaries of LyondellBasell. Not more than €700 million of the proceeds under the DIP Financing may be used to fund LyondellBasell's non-U.S. subsidiaries. For the period from January 6, 2009 to September 30, 2009, the maximum amount advanced to LyondellBasell's non-U.S. subsidiaries, pursuant to the terms of the DIP Financing, was \$634 million (€481 million at historical rates). At September 30, 2009, advances of \$389 million (€299 million) were outstanding. Total cash held by LyondellBasell's foreign operations may not exceed €200 million, after excluding certain items, including cash deemed restricted under the DIP Financing agreements due to settlement procedures under the European receivables securitization program, tax and legal considerations in certain countries and pursuant to letters of credit and guarantees. On a weekly basis, cash in excess of the €200 million limit must be transferred to Lyondell Chemical Company, provided that the excess is at least €5 million.

Each DIP Facility lender has agreed to enter into forbearance agreements, as applicable, with respect to the exercise of certain remedies under the amended and restated pre-petition Senior Secured Credit Agreement and Interim Loan, originally dated as of December 20, 2007. See "Pre-petition debt" below.

*DIP Term Loan Facility*—On January 9, 2009, the Debtors borrowed \$2,167 million dollars under the DIP Term Loan Facility and received proceeds, net of related fees, of \$2,089 million. Of the \$2,089 million proceeds: (i) \$672 million was used, together with borrowings under the DIP ABL Facility, to refinance, in full, the pre-existing asset-based facilities; (ii) \$507 million was used to fund the operations of non-U.S. subsidiaries; and (iii) \$100 million was used to repay a demand note related to emergency post-petition funding. During the remainder of its term, the Debtors may borrow an additional \$1,083 million under the DIP Term Loan Facility. In the first nine months of 2009, the Debtors paid fees of \$71 million, primarily related to the DIP Facilities.

Upon completion of the syndication of the DIP Facilities on March 5, 2009, the roll up of \$3,250 million into the DIP Term Loan Facility became effective. This roll up consisted of: (i) \$385 million of the U.S. Tranche A Dollar Term Loan; (ii) \$2,015 million of the U.S. Tranche B Dollar Term Loan, (iii) \$465 million of the German Tranche B Euro Term Loan, (iv) \$202 million of the U.S. Revolving Credit Facility, all of which were held by the Debtors; and (v) \$128 million of the Dutch Tranche A Dollar Term Loan; and (vi) \$54 million of the Dutch Revolving Credit Facility, both of which were held by a non-Debtor affiliate.

## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 3. Debt—(Continued)

Loans under the DIP Term Loan Facility bear interest at either the Base Rate or the Eurodollar Rate, (both as defined in the DIP Term Loan Facility), plus, in either case, an applicable margin. The Eurodollar Rate cannot decrease below 3% for New Money Loans, and for 62% of the Roll-Up Loans cannot decrease below 3.25%. In the case of New Money Loans, the applicable margin per annum is 9% for Base Rate Loans and 10% for Eurocurrency Loans. The applicable margin per annum for Roll-Up Loans is 2.69% for Base Rate Loans and 3.69% for Eurocurrency Loans, subject to adjustment. In the event of default, interest will increase by 200 basis points. Interest on Eurocurrency Loans is payable on the last day of the applicable interest period and for Base Rate Loans, on the last day of each calendar month. Additional fees under the DIP Term Loan Facility include a 1.5% per annum fee on the daily unused portion of the New Money Loan commitments and a 3% exit fee due upon prepayment of New Money Loans. An exit fee is also applicable to any voluntary reduction of the New Money Loan commitments. To the extent a New Money Loan commitment is voluntarily reduced or an outstanding New Money Loan is prepaid, such amounts cannot be borrowed or re-borrowed. The Company has recorded a \$98 million liability related to the 3% exit fee and a corresponding deferred asset, which will be amortized over the term of the DIP Term Loan Facility.

Subject to certain limitations, net proceeds arising from the disposition of assets, or the settlement of casualty claims relating to collateral on which DIP Term Facility lenders have a first priority security interest, or from the incurrence of debt, must first be used to repay outstanding New Money Loans under the DIP Term Facility and reduce undrawn commitments, then to pay down the DIP ABL Facility loans and, finally, to repay the Roll-Up Loans.

*DIP ABL Facility*—Pursuant to the DIP ABL Facility, the Debtors may currently, subject to a borrowing base, borrow up to \$1,620 million. The borrowing base is determined using formulae applied to accounts receivable and inventory balances, and is reduced to the extent of outstanding letters of credit under the facility, which are limited to \$700 million. Under the terms of the DIP ABL Facility, the asset-based facility may be increased up to \$2,000 million, in increments of at least \$25 million. On March 12, 2009 and July 15, 2009, the Debtors exercised their option to increase the DIP ABL Facility by designating New Lenders, increasing the commitments under the DIP ABL Facility from \$1,540 million to \$1,620 million. At September 30, 2009, there were net borrowings of \$160 million outstanding under the DIP ABL Facility and outstanding letters of credit totaled \$478 million. The borrowing base was \$1,502 million, after giving effect to a \$100 million unused availability requirement.

Subject to certain limitations in the DIP ABL Facility Agreement and provisions in the DIP Term Loan Agreement, net proceeds arising from the disposition of assets, the incurrence of debt or casualty claims related to collateral of the ABL Facility must be used to repay outstanding loans under the DIP ABL Facility. In addition, if on any day the total amount of loans outstanding under the DIP ABL Facility, including the amount of outstanding letters of credit, exceed the maximum available under the DIP ABL Facility, a payment equal to or greater than the excess borrowings must be made on the following business day.

*Covenants*—Subject to certain exceptions, the DIP Facilities contain covenants that restrict, among other things, debt incurrence, lien incurrence, investments, certain payments on indebtedness, sales of assets and mergers, amendment of terms of certain indebtedness and material obligations, alterations in the conduct of LyondellBasell's business, and affiliate transactions and distributions of LyondellBasell and its subsidiaries.

In addition, the DIP Facilities contain covenants that establish or require LyondellBasell to maintain quarterly capital expenditures at levels below the maximum defined in the DIP Facilities, daily minimum levels of liquidity and monthly minimum levels of cumulative Consolidated EBITDAR (as defined in the DIP Facilities).

The amended DIP Facilities also contain a covenant establishing certain milestones related to the plan of reorganization, including obtaining the U.S. Bankruptcy Court's confirmation of the plan by January 20, 2010, subject to the extension described in Note 2 and the U.S. Bankruptcy Court's availability.

## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 3. Debt—(Continued)

*Security and Guarantees*—Loans under the DIP Financing agreements are secured by priming first priority interests in and liens on substantially all pre-petition and post-petition property of the borrowers and U.S. guarantors under the DIP Agreements, including, but not limited to, material fee-owned property and equipment, general intangibles, investment and intellectual property, and proceeds of the foregoing, as well as share capital of certain subsidiaries. The collateral provided by Basell Germany Holdings GmbH (“Germany Holdings”) is limited to the share capital of its direct subsidiaries.

Guarantors include each borrower, certain Debtors, any Additional Debtor, (as defined in the DIP Agreements), LyondellBasell Industries AF S.C.A. and each of its subsidiaries that is a guarantor of the pre-existing Senior Secured Credit Facility and Interim Loan. The guarantees are joint and several and full and unconditional.

*DIP Financing Amendments*• Effective as of July 24, 2009, the DIP Financing credit agreements were amended, among other things, to address certain changes in specific reporting requirements, to increase certain investment and indebtedness limitations for the purpose of permitting certain business operations and opportunities, and to provide for the confidentiality of certain proprietary business information. These amendments were authorized by the U.S. Bankruptcy Court in August 2009. On August 14, 2009, the DIP Financing agreements were amended further to modify the delivery terms for the Reorganization Plan and disclosure statement.

Effective October 5, 2009, the DIP Financing agreements were amended to extend the milestone related to the approval of the disclosure statement for the plan of reorganization from October 15 to November 13, 2009 and the plan confirmation milestone from December 1 to December 15, 2009. In late October 2009, the DIP Financing agreements were further amended to extend, among other things, the milestone related to the approval of the disclosure statement for the plan of reorganization to December 4, 2009 and the plan confirmation milestone to January 20, 2010, subject to further extension based on the U.S. Bankruptcy Court’s availability, and also to extend the maturity of the DIP Financing agreements from December 15, 2009 to February 3, 2010, which will be adjusted with the plan confirmation milestone.

*Pre-petition debt*—Immediately prior to the Debtors’ filing for relief under chapter 11 of the U.S. Bankruptcy Code, the Debtors’ debt primarily consisted of outstanding amounts under the following debt instruments:

- Senior Secured Credit Facility;
- Senior Secured Inventory-Based Credit Facility;
- North American Accounts Receivable Securitization Program;
- Interim Loan;
- Senior Debenture due 2026, 7.625%;
- Debentures due 2010, 10.825%;
- Debentures due 2020, 9.8%;
- Debentures due 2026, 7.55%;
- Senior Notes due 2015, \$615 million;
- Senior Notes due 2015, €500 million; and

## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 3. Debt—(Continued)

The Senior Secured Credit Facility, Senior Secured Inventory-Based Credit Facility and the Interim Loan, as well as a \$1,150 million accounts receivable securitization facility, were entered into on December 20, 2007 in connection with the acquisition of the Company by LyondellBasell. The Senior Secured Credit Facility was amended and restated on April 30, 2008 and further amended on December 1, 2008. The Interim Loan was amended and restated on April 30, 2008 and on October 17, 2008. The \$1,150 million accounts receivable securitization facility, the Senior Secured Inventory-Based Credit Facility and the North American Accounts Receivable Securitization Program were terminated as a result of the chapter 11 filing and repaid with proceeds from the DIP Financing.

The Senior Secured Credit Facility loans under which the Debtors had outstanding borrowings included the \$1,500 million U.S. Tranche A Dollar Term Loan due 2013; the \$7,550 million U.S. Tranche B Dollar Term Loan and €1,300 million German Tranche B Euro Term Loan due 2014; and the \$800 million U.S. Revolving Credit Facility. The Debtors also had loans outstanding under the Interim Loan, including \$3,500 million of fixed rate second lien loans, \$2,000 million of floating rate second lien loans and \$2,500 million of floating rate third lien loans. As a result of the chapter 11 filing on January 6, 2009, the outstanding balance of the German Tranche B Euro Term Loan was converted to \$1,723 million U.S. dollars, using the currency adjustment mechanism, as defined. The chapter 11 filing constituted an event of termination under the pre-existing asset-based facilities, and on January 9, 2009, a portion of the DIP Financing proceeds was used to refinance, in full, the Senior Secured Inventory-Based Credit Facility and other pre-petition asset-based facilities of the Debtors.

The Senior Secured Credit Facility is secured by first priority interests, subject to the DIP Facilities priming first priority senior security interests, in all material assets including, but not limited to, material fee-owned property and equipment, general intangibles, investment and intellectual property, and proceeds of the foregoing, as well as share capital of certain subsidiaries, of all borrowers and guarantors under the facility, except certain assets of Millennium Chemicals Inc., a wholly owned subsidiary of the Company. The Interim Loan is secured by a second priority interest over the collateral securing the Senior Secured Credit Facility, subject to the same DIP Facilities priming first priority senior security interests.

Beginning on March 2, 2009, the Debtors are obligated to pay interest, at the non-default rate, on the outstanding amounts under the Senior Secured Credit Facility not designated as Roll-Up Loans, subject to a minimum liquidity test calculated on the last day of the previous month. Interest will be paid to the extent minimum liquidity, as defined, does not decrease below \$1,015 million as a result of the payment. Any unpaid interest at the end of the period may be asserted as a claim by the lenders thereunder. Through September 30, 2009, the minimum liquidity requirement was met or exceeded and the related interest expense was accrued and is being paid.

Pursuant to the final order approving the DIP Financing, the pre-petition Senior Secured Credit Facility, the Debentures due 2010 and 2020 and the 7.55% Debentures due 2026, were granted, on a pari passu basis, a third priority lien on the DIP Collateral, described above under “Security and Guarantees.” The pre-petition Senior Secured Credit Facility continues to have a first priority lien, on a pari passu basis with the Roll-Up Loans, on pre-petition Senior Secured Credit Facility collateral that is not DIP Collateral. Additionally, under the adequate protection provisions, the Interim Loan was granted fourth and fifth priority liens on the DIP Collateral and continues to have a second priority lien on pre-petition Senior Secured Credit Facility collateral that is not DIP Collateral.

## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 3. Debt—(Continued)

*Senior Notes due 2015*—On February 6, 2009, the Initial Debtors filed a motion with the U.S. Bankruptcy Court seeking a preliminary injunction prohibiting certain creditors from enforcing pre-petition guarantees issued by LyondellBasell and certain of its non-Debtor subsidiaries for obligations of the Debtors and certain non-Debtors and seeking to prevent the holders of LyondellBasell's 8.375% Senior Notes due 2015 (the "Senior Notes") from among other things, taking action to accelerate the maturity of the Senior Notes. On February 26, 2009, the U.S. Bankruptcy Court granted this injunction for a period of 60 days. LyondellBasell and its general partner filed voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code on April 24, 2009 (prior to the expiration of the 60-day period). As a result of these filings, the ability of creditors to enforce their claims against LyondellBasell and its general partner is stayed by applicable provisions of the U.S. Bankruptcy Code.

On March 23, 2009, the trustee under the indenture dated August 10, 2005 relating to the Senior Notes, served notice that an event of default had occurred under the indenture as a result of the commencement of the Bankruptcy Cases and LyondellBasell's failure to pay interest on the Senior Notes when due, which failure continued beyond the applicable grace period. Pursuant to the Intercreditor Agreement dated December 20, 2007, the notice of default started a 179-day period ("Standstill Period") during which the holders of the Senior Notes and the trustee may not take action to enforce their rights with respect to the Senior Notes or the guarantees thereof. Upon the expiration of the Standstill Period, the trustee may pursue claims against non-Debtor affiliates who are guarantors of the Senior Notes. The Standstill period was originally scheduled to expire on September 18, 2009.

On August 28, 2009, the Debtors filed a motion seeking a permanent and preliminary injunction to prevent the holders of the Senior Notes and the trustee from taking certain actions against Non-Debtor affiliates obligated under the Senior Notes. On September 8, 2009, the standstill was extended through November 2, 2009 and on October 8, 2009, was further extended through December 14, 2009. A hearing on the Debtors' motion will be held November 23, 2009.

#### 4. Reorganization Items

Reorganization items included net charges of \$821 million in September 2009, including \$482 million related to environmental liabilities included in liabilities subject to compromise to reflect the Debtors' estimate of the expected amount of the claims that will be allowed by the bankruptcy court (see Notes 2 and 5), \$195 million related to the net write off of unamortized debt issuance costs, premiums and discounts, \$100 million for damage claims related to certain executory contracts, \$34 million for professional fees associated with the Chapter 11 proceedings, and \$6 million for operating facility closure and other costs. In addition, in September 2009, the company revised the estimated asset impairment related to the closure of the Chocolate Bayou olefins site by \$2 million.

#### 5. Liabilities Subject to Compromise

As a result of the Bankruptcy Cases, the payment of prepetition indebtedness may be subject to compromise or other treatment under the Debtors' plan of reorganization. Although actions to enforce or otherwise effect payment of prepetition claims are generally stayed, at hearings held in January 2009, the U.S. Bankruptcy Court granted final approval of the Debtors' "first-day" motions, generally designed to stabilize the Debtors' operations and covering, among other things, employee wages, health and benefit plans, qualified pension and savings plans, supplier relations, customer relations, business operations, utilities, tax matters, cash management and retention of professionals.

**LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

**5. Liabilities Subject to Compromise—(Continued)**

The Debtors have been paying and intend to continue to pay substantially all of their undisputed postpetition claims in the ordinary course of business. In addition, the Debtors may reject prepetition executory contracts and unexpired leases with respect to the Debtors' operations with the approval of the U.S. Bankruptcy Court. Damages resulting from rejection of executory contracts and unexpired leases are treated as general unsecured prepetition claims and will be classified as liabilities subject to compromise.

On May 14, 2009, the U.S. Bankruptcy Court entered an order establishing June 30, 2009 as the claims bar date. The claims bar date is the date by which claims against the Debtors arising prior to the Debtors' chapter 11 filings must be filed if the claimants wish to receive any distribution in the Bankruptcy Cases. On May 26, 2009, the Debtors commenced notification, including publication, to all known actual and potential creditors informing them of the bar date and the required procedures with respect to the filing of proofs of claim. As part of the Bankruptcy Cases, claims timely filed by the claims bar date will ultimately be reconciled against the amounts listed by, with certain exceptions, the Debtors in their Schedules of Assets and Liabilities. In most cases, to the extent the Debtors object to any filed claims, the U.S. Bankruptcy Court will make the final determination as to the amount, nature and validity of such claims. Moreover, the treatment of allowed claims against the Debtors will be determined pursuant to the terms of the plan of reorganization, which was filed September 11, 2009 but is subject to approval by the U.S. Bankruptcy Court. Accordingly, while the Company continues to reassess these liabilities, the ultimate amount and treatment of such liabilities has not yet been determined.

Prepetition liabilities that are subject to compromise are reported at the amounts expected to be allowed, even if they potentially may be settled for lesser amounts. Accordingly, the amounts currently classified as liabilities subject to compromise may be subject to future adjustments depending on the U.S. Bankruptcy Court's actions, further developments with respect to disputed claims, the values of any collateral securing such claims, or other events.

Liabilities subject to compromise consist of the following at September 30, 2009:

<u>Millions of dollars</u>	
Accounts payable	\$ 630
Employee benefits	1,012
Accrued interest	268
Conversion fee – Interim Loan	161
Environmental liabilities	615
Interest rate swap obligation	201
Related party payable	84
Contract rejection accrual	202
Other accrued liabilities	696
Long-term debt	18,374
Total liabilities subject to compromise	\$ 22,243

Other accrued liabilities include \$605 million of prepetition accounts payable and loans payable to non-Debtors.



## LYONDELL CHEMICAL COMPANY AND RELATED DEBTORS

### NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

#### 5. Liabilities Subject to Compromise—(Continued)

In June 2009, environmental remediation liabilities related to third-party sites of \$133 million, including \$100 million related to the Kalamazoo River Superfund Site, were reclassified from “Other liabilities” to “Liabilities subject to compromise”. In September 2009, in accordance with the bankruptcy claims settlement process, the basis for the accrued liability was adjusted to reflect the Debtors’ estimate of the expected amount of the claims that will be allowed by the bankruptcy court, resulting in a \$482 million charge that was classified in “Re-organization items.” As a result, the total amount of the accrued liability included in “Liabilities subject to compromise” reflects the expected amount of the allowed claims (see Notes 2 and 4). In September 2009, the Debtors also accrued an additional \$100 million for damage claims related to certain executory contracts.

See Note 3 for the long-term debt components of liabilities subject to compromise.

#### 6. Income Taxes

In September 2009, the Debtors had a \$371 million benefit from income taxes on a pretax loss of \$807 million. The effective income tax rate increased from 29.1% in August 2009 to 34.4% in September 2009. The increase in the effective income tax rate was partially due to a change in estimate of the effects of non-deductible costs related to the Debtors’ chapter 11 proceedings, and to a change in the mix of income, or loss, sourced from countries with other than 35% statutory rates. The change in estimate resulted in a \$110 million tax benefit on the pretax loss for the first eight months of 2009, which was recognized in the month of September 2009. This was offset by an additional provision of \$34 million, primarily related to changes in estimates for prior year items and uncertain tax positions that the Debtors recorded in September 2009.

**In re Lyondell Chemical Company, et al.,**

**Case No. (Jointly Administered)      09-10023 (REG)**  
**Reporting Period:      September 30, 2009**  
  
**Federal Tax I.D. #      95-4160558**

**Schedule of Disbursements**

*( In Thousands )*

<b>TIME PERIOD:</b> 9/1/09 - 9/30/09
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Debtor	Case Number	Disbursements
Basell Capital Corporation	09-12940 (REG)	\$0
Basell Finance USA Inc.	09-10021 (REG)	\$0
Basell Germany Holdings GmbH	09-10048 (REG)	\$0
Basell Impact Holding Company	09-12942 (REG)	\$0
Basell North America Inc.	09-10034 (REG)	\$0
Basell USA Inc.	09-10033 (REG)	\$170,238
Circle Steel Corporation	09-10032 (REG)	\$0
Duke City Lumber Co.	09-10035 (REG)	\$0
Equistar Bayport, LLC	09-12943 (REG)	\$0
Equistar Chemicals, LP	09-10036 (REG)	\$742,229
Equistar Funding Corporation	09-12956 (REG)	\$0
Equistar Polypropylene, LLC	09-12944 (REG)	\$0
Equistar Transportation Company, LLC	09-10049 (REG)	\$0
Glidco Leasing Inc.	09-10037 (REG)	\$0
Glidden Latin America Holdings	09-10040 (REG)	\$0
HOISU Ltd.	09-10022 (REG)	\$0
Houston Refining LP	09-10038 (REG)	\$752,511
HPT 28 Inc.	09-10042 (REG)	\$0
HPT 29 Inc.	09-10043 (REG)	\$0
HW Loud Company	09-10039 (REG)	\$0
IMWA Equities II, Co., L.P.	09-10047 (REG)	\$0
ISB Liquidating Company	09-10044 (REG)	\$0
LBI Acquisition LLC	09-10045 (REG)	\$0
LBIH LLC	09-10025 (REG)	\$0
LeMean Property Holdings Corp.	09-10027 (REG)	\$0
LPC Partners Inc.	09-12953 (REG)	\$0
Lyondell (Pelican) Petrochemical L.P. 1, Inc.	09-10067 (REG)	\$0
Lyondell Asia Pacific, Ltd.	09-10050 (REG)	\$326
Lyondell Bayport, LLC	09-12949 (REG)	\$0
Lyondell Chemical Company	09-10023 (REG)	\$949,352
Lyondell Chemical Delaware Company	09-10051 (REG)	\$4
Lyondell Chemical Espana Co.	09-10052 (REG)	\$0
Lyondell Chemical Europe, Inc.	09-10053 (REG)	\$73
Lyondell Chemical Holding Company	09-12950 (REG)	\$0
Lyondell Chemical International Co.	09-10054 (REG)	\$0
Lyondell Chemical Nederland, Ltd.	09-10055 (REG)	\$0
Lyondell Chemical Products Europe, LLC	09-10056 (REG)	\$61
Lyondell Chemical Properties, L.P.	09-10057 (REG)	\$0



Lyondell Chemical Technology 1, Inc.	09-10101 (REG)	\$0
Lyondell Chemical Technology Management, Inc.	09-10058 (REG)	\$0
Lyondell Chemical Technology, L.P.	09-10059 (REG)	\$0
Lyondell Chemical Wilmington, Inc	09-12952 (REG)	\$0
Lyondell Chimie France LLC	09-10060 (REG)	\$0
Lyondell Equistar Holdings Partners	09-10072 (REG)	\$0
Lyondell Europe Holdings Inc.	09-10026 (REG)	\$0
Lyondell General Methanol Company	09-12945 (REG)	\$0
Lyondell Greater China, Ltd.	09-10061 (REG)	\$15,728
Lyondell Houston Refinery Inc.	09-10028 (REG)	\$0
Lyondell Intermediate Holding Company	09-12947 (REG)	\$0
Lyondell LP3 GP, LLC	09-10062 (REG)	\$0
Lyondell LP3 Partners, LP	09-10063 (REG)	\$0
Lyondell LP4 Inc.	09-10029 (REG)	\$0
Lyondell Petrochemical L.P. Inc.	09-10030 (REG)	\$0
Lyondell Refining Company LLC	09-10064 (REG)	\$0
Lyondell Refining I, LLC	09-10094 (REG)	\$0
LyondellBasell Advanced Polyolefins USA Inc.	09-10065 (REG)	\$3
LyondellBasell AFGP S.à r.l.	09-12519 (REG)	\$0
LyondellBasell Finance Company	09-10066 (REG)	\$0
LyondellBasell Industries AF S.C.A.	09-12518 (REG)	\$0
MHC Inc.	09-10073 (REG)	\$24
Millennium America Holdings Inc.	09-10074 (REG)	\$0
Millennium America Inc.	09-10031 (REG)	\$0
Millennium Chemicals Inc.	09-10075 (REG)	\$12
Millennium Holdings, LLC	09-10071 (REG)	\$1,069
Millennium Petrochemicals GP LLC	09-10070 (REG)	\$0
Millennium Petrochemicals Inc.(Virginia)	09-10069 (REG)	\$17,467
Millennium Petrochemicals LP LLC	09-10100 (REG)	\$0
Millennium Petrochemicals Partners, LP	09-10099 (REG)	\$0
Millennium Realty Inc.	09-10077 (REG)	\$0
Millennium Specialty Chemicals Inc.	09-10076 (REG)	\$7,299
Millennium US Op Co LLC	09-10098 (REG)	\$469
Millennium Worldwide Holdings I Inc.	09-10097 (REG)	\$0
MWH South America LLC	09-10096 (REG)	\$0
National Distillers & Chemical Corporation	09-10078 (REG)	\$0
NDCC International II	09-10079 (REG)	\$0
Nell Acquisition (US) LLC	09-10080 (REG)	\$0
Penn Export Company, Inc.	09-10081 (REG)	\$0
Penn Navigation Company	09-10082 (REG)	\$0
Penn Shipping Company Inc.	09-10085 (REG)	\$0
Penntans Company	09-10095 (REG)	\$0
PH Burbank Holdings, Inc.	09-10103 (REG)	\$0
Power Liquidating Company, Inc.	09-10084 (REG)	\$0
Quantum Acceptance Corp	09-10083 (REG)	\$0
Quantum Pipeline Company	09-12951 (REG)	\$0
SCM Chemicals Inc.	09-12955 (REG)	\$0
SMC Plants Inc.	09-10102 (REG)	\$0
Suburban Propane GP, Inc.	09-10086 (REG)	\$0
Tiona, Ltd.	09-10087 (REG)	\$0
UAR Liquidating Inc.	09-10088 (REG)	\$0

USI Chemicals International Inc.	09-10089 (REG)	\$0
USI Credit Corp.	09-10090 (REG)	\$0
USI Puerto Rico Properties, Inc.	09-10091 (REG)	\$0
Walter Kidde & Company, Inc.	09-10092 (REG)	\$0
Wyatt Industries, Inc.	09-10093 (REG)	\$0

<b>Total Disbursements</b>		<b>\$2,656,865</b>
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In re Lyondell Chemical Company, et al.,

**Case No. (Jointly Administered)** 09-10023 (REG)  
**Reporting Period:** September 30, 2009  
**Federal Tax I.D. #** 95-4160558

**Debtor Questionnaire**

<b>Must be completed each month. If the answer to any of the questions is "Yes", provide a detailed explanation of each item. Attach additional sheets if necessary.</b>		<b>Yes</b>	<b>No</b>
1	Have any assets been sold or transferred outside the normal course of business this reporting period?		X
2	Have any funds been disbursed from any account other than a debtor in possession account this reporting period?		X
3	Is the Debtor delinquent in the timely filing of any post-petition tax returns?		X
4	Are workers compensation, general liability or other necessary insurance coverages expired or cancelled, or has the debtor received notice of expiration or cancellation of such policies?		X
5	Is the Debtor delinquent in paying any insurance premium payment?		X
6	Have any payments been made on pre-petition liabilities this reporting period?	X	
7	Are any post petition receivables (accounts, notes or loans) due from related parties?	X	
8	Are any post petition payroll taxes past due?		X
9	Are any post petition State or Federal income taxes past due?	X	
10	Are any post petition real estate taxes past due?		X
11	Are any other post petition taxes past due?		X
12	Have any pre-petition taxes been paid during this reporting period?	X	
13	Are any amounts owed to post petition creditors delinquent?		X
14	Are any wage payments past due?		X
15	Have any post petition loans been received by the Debtor from any party?		X
16	Is the Debtor delinquent in paying any U.S. Trustee fees?		X
17	Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?		X
18	Have the owners or shareholders received any compensation outside of the normal course of business?		X

Note 1 – The debtors report these payments under the required reporting provided for in the first day motions covering foreign vendors, critical vendors, taxing authority payments, and employee related payments.

Note 2 – These are ordinary course amounts due.

Note 3 – A small amount (under \$200) of Alabama franchise tax was paid late.

Note 4 – Six payments for property taxes relating to pre-petition amounts were made in September.