

**UNITED STATES' MEMORANDUM IN SUPPORT OF DEBTORS' MOTION
PURSUANT TO FED. R. BANKR. P. 9019 TO APPROVE SETTLEMENT AGREEMENT
AMONG THE DEBTORS, THE ENVIRONMENTAL CUSTODIAL TRUST TRUSTEE,
THE UNITED STATES, AND CERTAIN STATE ENVIRONMENTAL AGENCIES**

EXHIBIT 1

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----	x	
	:	
In re:	:	Chapter 11
	:	
LYONDELL CHEMICAL COMPANY, <i>et al.</i> ,	:	Case No. 09-10023 (REG)
	:	
Debtors.	:	Jointly Administered
-----	x	

**SETTLEMENT AGREEMENT AMONG THE DEBTORS, THE
ENVIRONMENTAL CUSTODIAL TRUST TRUSTEE, THE UNITED
STATES, AND CERTAIN STATE ENVIRONMENTAL AGENCIES**

TABLE OF CONTENTS

I. BACKGROUND	1
II. DEFINITIONS	6
III. JURISDICTION.....	12
IV. PARTIES BOUND; SUCCESSION AND ASSIGNMENT	12
V. LIQUIDATED SITES – ALLOWANCE OF CLAIMS	12
VI. SETTLEMENT OF THE DEBTORS’ OBJECTIONS	16
VII. TREATMENT OF DEBTOR-OWNED/OPERATED SITES	17
VIII. SUMMARY OF ALLOWED GENERAL UNSECURED CLAIMS AND CASH PAYMENTS.....	19
IX. CREDITS AND SITE ACCOUNTS	20
X. INSURANCE PROCEEDS.....	21
XI. ENVIRONMENTAL CUSTODIAL TRUST.....	23
XII. TREATMENT OF ADDITIONAL SITES	26
XIII. TREATMENT OF ALLOWED CLAIMS.....	31
XIV. DISTRIBUTION INSTRUCTIONS	33
XV. COVENANT NOT TO SUE, RELEASES, AND RESERVATION OF RIGHTS	36
XVI. CONTRIBUTION PROTECTION	40
XVII. FINANCIAL ASSURANCE	42
XVIII. NOTICES AND SUBMISSIONS	42
XIX. JUDICIAL APPROVAL AND OPPORTUNITY FOR PUBLIC COMMENT	47
XX. PLAN OF REORGANIZATION	48
XXI. AMENDMENTS/INTEGRATION AND COUNTERPARTS	49
XXII. TCEQ.....	49
XXIII. RETENTION OF JURISDICTION	50

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----	X	
	:	
In re:	:	Chapter 11
	:	
LYONDELL CHEMICAL COMPANY, <i>et al.</i> ,	:	Case No. 09-10023 (REG)
	:	
Debtors.	:	Jointly Administered
-----	X	

**SETTLEMENT AGREEMENT AMONG THE DEBTORS, THE ENVIRONMENTAL
CUSTODIAL TRUST TRUSTEE, THE UNITED STATES, AND CERTAIN
STATE ENVIRONMENTAL AGENCIES**

I. BACKGROUND

WHEREAS, Lyondell Chemical Company and certain of its affiliates filed with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) voluntary petitions for relief under Title 11 of the United States Code (the “Bankruptcy Code”) on various dates as set forth in Exhibit A hereto (the “Petition Dates”), which petitions have been consolidated for procedural purposes and are being administered jointly as Case No. 09-10023 (REG) (the “Bankruptcy Cases”);

WHEREAS, the United States, on behalf of the United States Environmental Protection Agency (along with any legal successor thereto, “EPA”), the United States Department of the Interior (along with any legal successor thereto, “DOI”), and the National Oceanic and Atmospheric Administration (along with any legal successor thereto, “NOAA”) (collectively, the “Settling Federal Agencies”), contends that certain Debtors are liable, *inter alia*, under CERCLA, 42 U.S.C. § 9601 *et seq.*, for (i) costs incurred and to be incurred by the United States in response to releases and threats of releases of hazardous substances at or in connection with certain Liquidated Sites, and (ii) natural resource damages and costs of assessment at or in connection with certain Liquidated Sites;

WHEREAS, the United States, on behalf of EPA, DOI, and NOAA, has filed proofs of claim (Claim Nos. 11940, 11941, 12968, 12969, 12970, 12971, 12972, 12973, 12974, and 279491) (collectively, the “U.S. Proofs of Claim”) against certain Debtors;

WHEREAS, the California Department of Toxic Substances Control (along with any legal successor thereto, “DTSC”) contends that certain Debtors are liable to DTSC for (i) costs incurred and to be incurred by DTSC in response to releases and threats of releases of hazardous substances at or in connection with certain Liquidated Sites, and (ii) costs of assessment at or in connection with certain Liquidated Sites;

WHEREAS, DTSC has filed proofs of claim (Claim Nos. 12866, 12867, and 12873) (collectively, the “DTSC Proofs of Claim”) against certain Debtors;

WHEREAS, the California State Water Resources Control Board (along with any legal successor thereto, the “State Board”) contends that certain Debtors are liable for Prepetition response costs in connection with discharges or deposits of waste into the waters of the state at or in connection with the Weber Aircraft Burbank Site;

WHEREAS, the State Board has filed proofs of claim (Claim Nos. 12796, 12797, 12798, 12799, 12800, 12801, 12802, and 12803) (collectively, the “State Board Proofs of Claim”) against certain Debtors;

WHEREAS, the California Regional Water Quality Control Board for the Los Angeles Region (along with any legal successor thereto, the “LA Regional Board”) contends that certain Debtors are liable for injunctive relief and Prepetition response costs in connection with discharges or deposits of waste into the waters of the state at or in connection with the Weber Aircraft Burbank Site;

WHEREAS, the LA Regional Board has filed proofs of claim (Claim Nos. 12788, 12789, 12790, 12791, 12792, 12793, 12794, and 12795) (collectively, the “LA Regional Board Proofs of Claim”) against certain Debtors;

WHEREAS, the U.S. Proofs of Claim, the DTSC Proofs of Claim, the State Board Proofs of Claim, and the LA Regional Board Proofs of Claim set forth the position of the Settling Federal Agencies, DTSC, the State Board, and the LA Regional Board that the Debtors' injunctive obligation to comply with work requirements under court orders, environmental statutes, regulations, administrative orders, licenses, and permits are not dischargeable pursuant to Section 1141 of the Bankruptcy Code;

WHEREAS, on September 4, 2009, the Debtors filed Objections to the U.S. Proofs of Claim, the DTSC Proofs of Claim, the State Board Proofs of Claim, and the LA Regional Board Proofs of Claim (the "Objections"), in which the Debtors contested the non-dischargeability of environmental work obligations at sites other than those owned or operated by the Debtors;

WHEREAS, on September 30, 2009, the United States, DTSC, the State Board, and the LA Regional Board filed a memorandum of law in opposition to the Debtors' Objections, as well as a motion in 09-Civ-8316 (AKH) (S.D.N.Y.) to withdraw the reference to the Bankruptcy Court as to the Debtors' Objections ("Motion to Withdraw the Reference");

WHEREAS, the Debtors, the United States, DTSC, the State Board, and the LA Regional Board wish to resolve their differences with respect to the Objections and address other matters as provided herein, without adjudication of the Objections or the Motion to Withdraw the Reference;

WHEREAS, the treatment of liabilities provided for herein represents a compromise of the contested positions of the Parties that is entered into solely for purposes of this settlement, and the Parties reserve their legal arguments as to any issues involved in other matters;

WHEREAS, the Debtors and the California Regional Water Quality Control Board for the Central Valley Region (along with any legal successor thereto, the "Central Valley Regional Board") wish to address certain matters regarding the Afterthought Mine Site and Kingsburg Winery Site as provided herein;

WHEREAS, the Illinois Environmental Protection Agency (“IEPA”) and the Illinois Department of Natural Resources (“IDNR”), in their capacities as trustees for natural resources (collectively, the “State of Illinois Natural Resource Trustees”), contend that Millennium Petrochemicals, Inc. is liable for natural resource damages and costs of assessment at or in connection with the Hegeler Zinc Site;

WHEREAS, the State of Illinois Natural Resource Trustees have filed a proof of claim (Claim No. 13031) (the “State of Illinois Natural Resource Trustees’ Proof of Claim”) against Millennium Petrochemicals, Inc.;

WHEREAS, but for this Settlement Agreement, the Debtors would dispute, in whole or in part, the State of Illinois Natural Resource Trustees’ Proof of Claim;

WHEREAS, the Debtors and the State of Illinois Natural Resource Trustees wish to resolve their differences with respect to the State of Illinois Natural Resource Trustees’ Proof of Claim and address other matters as provided herein;

WHEREAS, the Michigan Department of Natural Resources and the Environment (“MDNRE”) (successor to the Michigan Department of Environmental Quality) and the Michigan Natural Resource Trustees (collectively, the “Settling Michigan Agencies”) contend that Millennium Holdings, LLC is liable for (i) costs incurred and to be incurred by one or more of the Settling Michigan Agencies in response to releases and threats of releases of hazardous substances at or in connection with the Allied Paper/Portage Creek/Kalamazoo River Site, and (ii) natural resource damages and costs of assessment at or in connection with that site;

WHEREAS, the Settling Michigan Agencies have filed a proof of claim (Claim No. 12843) (the “Settling Michigan Agencies’ Proof of Claim”) against Millennium Holdings, LLC;

WHEREAS, but for this Settlement Agreement, the Debtors would dispute, in whole or in part, the Settling Michigan Agencies’ Proof of Claim;

WHEREAS, the Debtors and the Settling Michigan Agencies wish to resolve their differences with respect to the Settling Michigan Agencies' Proof of Claim and address other matters as provided herein;

WHEREAS, on March 15, 2010, the Debtors filed with the Bankruptcy Court a proposed Third Amended Joint Chapter 11 Plan of Reorganization (as amended, modified, and supplemented from time to time, the "Plan");

WHEREAS, the Plan provides for the creation of an Environmental Custodial Trust to be administered by an Environmental Custodial Trust Trustee pursuant to an Environmental Custodial Trust Agreement, and for the transfer to the Environmental Custodial Trust of nine properties currently owned by certain Debtors (the "Transferred Real Properties");

WHEREAS, the Transferred Real Properties have known or suspected environmental contamination and are the subject of current or expected cleanup obligations;

WHEREAS, the Debtors, the Environmental Custodial Trust Trustee, the United States, the Central Valley Regional Board, IEPA, the Maryland Department of the Environment (along with any legal successor thereto, "MDE"), the Settling Michigan Agencies, the North Carolina Division of Waste Management (along with any legal successor thereto, "NCDWM"), the Department of Environmental Protection of the Commonwealth of Pennsylvania (along with any legal successor thereto, "PADEP"), and the Texas Commission on Environmental Quality (along with any legal successor thereto, "TCEQ") wish to address certain matters with respect to the Transferred Real Properties as provided herein and in the Environmental Custodial Trust Agreement;

WHEREAS, in consideration of, and in exchange for, the promises and covenants herein, including, without limitation, the covenants not to sue and/or releases and agreements not to sue set forth in Paragraphs 37, 39, and 43, and subject to the provisions of Paragraphs 49-53, intending to be legally

bound hereby, the Debtors, the undersigned governmental parties, and the Environmental Custodial Trust Trustee hereby agree to the terms of this Settlement Agreement;

WHEREAS, settlement of the matters governed by this Settlement Agreement is in the public interest and is an appropriate means of resolving these matters;

NOW, THEREFORE, without the admission of liability or the adjudication of any issue of fact or law, and upon the consent and agreement of the Parties by their attorneys and authorized officials, it is hereby agreed as follows:

II. DEFINITIONS

1. Unless otherwise expressly provided herein, terms used in this Settlement Agreement that are defined in CERCLA, CERCLA regulations, the Bankruptcy Code, or the Environmental Custodial Trust Agreement attached as Exhibit B hereto shall have the meaning assigned to them therein. Whenever terms listed below are used in this Settlement Agreement, the following definitions shall apply:

a. “Additional Sites” means the sites (including, without limitation, all facilities, as that term is defined in CERCLA) as set forth in Exhibit C to this Settlement Agreement. “Additional Sites” include: (i) for DTSC, “DTSC Additional NPL Sites” and “DTSC Additional Other Sites”; (ii) for the LA Regional Board, “LA Regional Board Additional Sites”; and (iii) for the Settling Federal Agencies, “U.S. Additional CERCLIS/NPL Sites,” “U.S. Additional Other Sites,” and “Reserved Additional Sites.” An “Additional Site” shall be construed to include (i) for those sites now or hereafter included on the NPL, all areas of a site as defined by EPA for purposes of the NPL, including any later expansion of such site as may be determined by EPA, and any natural resources affected or potentially affected by the release or threatened release of hazardous substances at or from such site, and (ii) for those sites not included on the NPL, all areas and natural resources affected or potentially affected by the release or threatened release of hazardous substances at or from such site.

b. “Allowed General Unsecured Claim” has the meaning set forth in the Plan of Reorganization.

c. “Bankruptcy Cases” has the meaning set forth in the recitals.

d. “Bankruptcy Code” has the meaning set forth in the recitals.

e. “Bankruptcy Court” or the “Court” has the meaning set forth in the recitals.

f. “Central Valley Regional Board” has the meaning set forth in the recitals.

g. “Central Valley Regional Board Lyondell Bankruptcy Sites” means the Afterthought Mine Site and the Kingsburg Winery Site.

h. “CERCLA” means the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§ 9601 *et seq.*, as now in effect or hereafter amended.

i. “CERCLIS” means the Comprehensive Environmental Response, Compensation, and Liability Information System database maintained by EPA.

j. “Claims” has the meaning provided in Section 101(5) of the Bankruptcy Code.

k. “Debtors” means Lyondell Chemical Company and those of its affiliates which filed voluntary petitions for relief on the respective dates set forth in Exhibit A, as debtors, debtors-in-possession, or in a new or reorganized form as a result of the Bankruptcy Cases.

l. “Debtor-Owned/Operated Sites” means any properties, facilities, or sites owned and/or operated by any of the Debtors at or at any time after the confirmation of the Plan of Reorganization, but does not include the Transferred Real Properties.

m. “DOI” has the meaning set forth in the recitals.

n. “DTSC” has the meaning set forth in the recitals.

o. “DTSC Additional NPL Sites” means the Additional Sites that are located in California and were listed on the NPL as of the Petition Dates, were disclosed by the Debtors in response to Question 17 of their Statements of Financial Affairs, and are set forth in Exhibit C, Item 1.

- p. “DTSC Additional Other Sites” means the Additional Sites listed in Exhibit C, Item 2.
- q. “DTSC Lyondell Bankruptcy Sites” means the Jefferson New Middle School Site, the Hillview Porter Site, the Syntex Site, the DTSC Additional NPL Sites, and the DTSC Additional Other Sites.
- r. “DTSC Proofs of Claim” has the meaning set forth in the recitals.
- s. “EPA” has the meaning set forth in the recitals.
- t. “Effective Date” means the later of (i) the date an order entered by the Bankruptcy Court approving this Settlement Agreement becomes a Final Order, or (ii) the date an order entered by the Bankruptcy Court confirming the Plan of Reorganization becomes a Final Order.
- u. “Final Order” means an order or judgment that has not been reversed, vacated, or stayed and as to which (i) the time to appeal, to petition for a writ of certiorari or to move for a new trial, reargument, or rehearing has expired and as to which no appeal, petition for a writ of certiorari, or motion for a new trial, reargument, or rehearing shall then be pending; or (ii) if an appeal, writ of certiorari, new trial, reargument, or rehearing thereof has been sought, such order or judgment shall have been affirmed by the highest court to which such order was appealed, or the petition for a writ of certiorari shall have been denied, or a new trial, reargument, or rehearing shall have been denied or resulted in no modification of such order or judgment, and the time to take any further appeal, to petition for a writ of certiorari, or to move for a new trial, reargument, or rehearing shall have expired.
- v. “Federal Trustees” means DOI and NOAA, collectively.
- w. “IDNR” has the meaning set forth in the recitals.
- x. “IEPA” has the meaning set forth in the recitals.
- y. “LA Regional Board” has the meaning set forth in the recitals.
- z. “LA Regional Board Additional Sites” means the Additional Sites listed in Exhibit C,

Item 3.

aa. “LA Regional Board Lyondell Bankruptcy Sites” means the Weber Aircraft Burbank Site and the LA Regional Board Additional Sites.

bb. “LA Regional Board Proofs of Claim” has the meaning set forth in the recitals.

cc. “Liquidated Sites” means the following 19 sites:

- (1) 68th Street Dump Site located in Maryland;
- (2) Afterthought Mine Site located in California;
- (3) Allied Paper/Portage Creek/Kalamazoo River Site located in Michigan;
- (4) Barefoot Disposal Site located in Pennsylvania;
- (5) Berks Landfill Site located in Pennsylvania;
- (6) Chief Supply Site located in Oklahoma;
- (7) Clinton Dock Area Site located in Iowa;
- (8) Diamond Alkali/Lower Passaic River Study Area Site located in New Jersey;
- (9) French Limited Site located in Texas;
- (10) Hegeler Zinc Site located in Illinois;
- (11) Hillview Porter Site located in California;
- (12) Jefferson New Middle School Site located in California;
- (13) Kingsburg Winery Site located in California;
- (14) Malone Service Site located in Texas;
- (15) Many Diversified Interests Site located in Texas;
- (16) Omega Chemical Corporation Site located in California (except with respect to the Settling California Agencies);
- (17) San Fernando Valley Site located in California (except with respect to the Settling California Agencies);
- (18) Syntex Site located in California; and

(19) Weber Aircraft Burbank Site located in California.

A “Liquidated Site” delineated above shall be construed to include: (i) for those sites now or hereafter included on the NPL, all areas of a site as defined by EPA for purposes of the NPL, including any later expansion of such site as may be determined by EPA, and any natural resources affected or potentially affected by the release or threatened release of hazardous substances at or from such sites; or (ii) for those sites not included on the NPL, all areas and natural resources affected or potentially affected by the release or threatened release of hazardous substances at or from such sites.

dd. “MDE” has the meaning set forth in the recitals.

ee. “MDNRE” has the meaning set forth in the recitals.

ff. “Motion to Withdraw the Reference” has the meaning set forth in the recitals.

gg. “NCDWM” has the meaning set forth in the recitals.

hh. “NOAA” has the meaning set forth in the recitals.

ii. “NPL” means the National Priorities List, 40 C.F.R. Part 300.

jj. “PADEP” has the meaning set forth in the recitals.

kk. “Parties” means the Debtors, the United States, the Environmental Custodial Trust Trustee, the Settling California Agencies, the State Board, the State of Illinois, MDE, the Settling Michigan Agencies, NCDWM, PADEP, and TCEQ (any one of which, individually, shall be referred to herein as a “Party”).

ll. “Petition Dates” has the meaning set forth in the recitals.

mm. “Plan of Reorganization” or “Plan” has the meaning set forth in the recitals.

nn. “Prepetition,” with respect to a particular Debtor, refers to the time period on or prior to the date on which such Debtor filed a voluntary petition for relief under the Bankruptcy Code, as set forth in Exhibit A hereto.

oo. “Postpetition,” with respect to a particular Debtor, refers to the time period from and after the date on which such Debtor filed a voluntary petition for relief under the Bankruptcy Code as set forth in Exhibit A hereto.

pp. “RCRA” means the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*, as now in effect or hereafter amended.

qq. “RCRA Order” means any administrative or judicial order issued pursuant to Section 7003 of RCRA, 42 U.S.C. § 6973, or similar state law, regardless of whether such RCRA Order was issued Prepetition or Postpetition, and regardless of whether the Debtors’ liability under Section 7003 arises from the Prepetition acts, omissions, or conduct of the Debtors or their predecessors.

rr. “Reserved Additional Sites” means the Additional Sites listed in Exhibit C, Item 6.

ss. “Settling California Agencies” means DTSC, the LA Regional Board, and the Central Valley Regional Board.

tt. “Settling Federal Agencies” has the meaning set forth in the recitals.

uu. “Settling Michigan Agencies” has the meaning set forth in the recitals.

vv. “Settling Michigan Agencies’ Proof of Claim” has the meaning set forth in the recitals.

ww. “Similar California Laws” means the California Hazardous Substance Account Act, Cal. Health & Safety Code section 25300 *et seq.*, Cal. Health & Safety Code section 25187, and California Water Code section 13000 *et seq.*

xx. “State Board” has the meaning set forth in the recitals.

yy. “State Board Proofs of Claim” has the meaning set forth in the recitals.

zz. “State of Illinois Natural Resource Trustees” has the meaning set forth in the recitals.

aaa. “State of Illinois Natural Resource Trustees’ Proof of Claim” has the meaning set forth in the recitals.

bbb. “Statements of Financial Affairs” means the statements filed by the Debtors in the Bankruptcy Cases on April 6, 2009, May 13, 2009, May 14, 2009, and May 29, 2009 pursuant to Section 521(a)(1)(B)(iii) of the Bankruptcy Code.

ccc. “States” means the Settling California Agencies, the State of Illinois Natural Resource Trustees, MDE, the Settling Michigan Agencies, NCDWM, PADEP, and TCEQ.

ddd. “TCEQ” has the meaning set forth in the recitals.

eee. “United States” means the United States of America, including EPA, NOAA, DOI, and all of its agencies, departments, and instrumentalities.

fff. “U.S. Additional CERCLIS/NPL Sites” means the Additional Sites that were listed on the NPL or in CERCLIS as of the Petition Dates, were disclosed by the Debtors in response to Question 17 of their Statements of Financial Affairs, and are set forth in Exhibit C, Item 4.

ggg. “U.S. Additional Other Sites” means the Additional Sites listed in Exhibit C, Item 5.

hhh. “U.S. Proofs of Claim” has the meaning set forth in the recitals.

III. JURISDICTION

2. The Court has jurisdiction over the subject matter hereof pursuant to 28 U.S.C. §§ 157, 1331, and 1334, and 42 U.S.C. §§ 9607 and 9613(b).

IV. PARTIES BOUND; SUCCESSION AND ASSIGNMENT

3. This Settlement Agreement applies to, is binding upon, and shall inure to the benefit of the Parties, their legal successors and assigns, and any trustee, examiner, or receiver appointed in the Bankruptcy Cases.

V. LIQUIDATED SITES – ALLOWANCE OF CLAIMS

4. In settlement and satisfaction of the proofs of claim filed by the Settling Federal Agencies, the Settling California Agencies, the State of Illinois Natural Resource Trustees, and the Settling Michigan Agencies with respect to the Liquidated Sites, and any proof of claim deemed to have been filed pursuant

to Paragraph 34, the Settling Federal Agencies, the Settling California Agencies, the State of Illinois Natural Resource Trustees, and the Settling Michigan Agencies shall have Allowed General Unsecured Claims in the amounts set forth below. The Settling Federal Agencies, the Settling California Agencies, the State of Illinois Natural Resource Trustees, and the Settling Michigan Agencies shall receive no distributions from the Debtors in the Bankruptcy Cases with respect to the Debtors' liabilities asserted in the aforementioned proofs of claim with respect to the Liquidated Sites other than as set forth in this Paragraph and Paragraph 5.

a. Liquidated Claim Amounts for the Settling Federal Agencies

(1) With respect to the 68th Street Dump Site located in Maryland, the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$7,620,000 against Millennium Holdings LLC.

(2) With respect to the Allied Paper/Portage Creek/Kalamazoo River Site located in Michigan, (i) the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$908,261,837 against Millennium Holdings, LLC; and (ii) the United States on behalf of the Federal Trustees shall have an Allowed General Unsecured Claim of \$124,231,125 against Millennium Holdings, LLC.

(3) With respect to the Barefoot Disposal Site located in Pennsylvania, the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$500,000 against Millennium Petrochemicals, Inc.

(4) With respect to the Chief Supply Site located in Oklahoma, the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$100,000 against Millennium Specialty Chemicals, Inc.

(5) With respect to the Clinton Dock Area Site located in Iowa, the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$50,000 against Equistar Chemicals, LP.

(6) With respect to the Diamond Alkali/Lower Passaic River Study Area Site located in New Jersey, (i) the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$10,072,000 against Millennium Petrochemicals, Inc., an Allowed General Unsecured Claim of \$4,572,000 against Equistar Chemicals, LP; and an Allowed General Unsecured Claim of \$4,572,000 against MHC, Inc.; and (ii) the United States on behalf of the Federal Trustees shall have an Allowed General Unsecured Claim of \$275,000 against Millennium Petrochemicals, Inc. for assessment costs only; an Allowed General Unsecured Claim of \$112,500 against Equistar Chemicals, LP, for assessment costs only; and an Allowed General Unsecured Claim of \$112,500 against MHC, Inc., for assessment costs only.

(7) With respect to the Hegeler Zinc Site located in Illinois, (i) the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$25,000,000 against Millennium Petrochemicals, Inc.; and (ii) the United States on behalf of DOI shall have an Allowed General Unsecured Claim of \$20,529 against Millennium Petrochemicals, Inc., for assessment costs only.

(8) With respect to the Malone Service Site located in Texas, the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$144,500 against Millennium Petrochemicals, Inc.; and an Allowed General Unsecured Claim of \$2,745,500 against Lyondell Chemical Company.

(9) With respect to the Many Diversified Interests Site located in Texas, the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$1,790,000 against Lyondell Chemical Company.

(10) With respect to the Omega Chemical Corporation Site located in California, the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$185,418 against Millennium Holdings, LLC.

(11) With respect to the San Fernando Valley Site located in California, the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$44,551,101 against MHC, Inc.

b. Liquidated Claim Amounts for the Settling California Agencies

(1) With respect to the Jefferson New Middle School Site, DTSC shall have an Allowed General Unsecured Claim of \$5,000,000 against MHC, Inc.

(2) With respect to the Syntex and Hillview Porter Sites, DTSC shall have an Allowed General Unsecured Claim of \$2,000,000 against Millennium Holdings, LLC.

(3) With respect to the Afterthought Mine Site, the Central Valley Regional Board shall have an Allowed General Unsecured Claim of \$500,000 against Millennium Holdings, LLC.

(4) With respect to the Kingsburg Winery Site, the Central Valley Regional Board shall have an Allowed General Unsecured Claim of \$500,000 against Millennium Petrochemicals, Inc.

(5) With respect to the Weber Aircraft Burbank Site, the LA Regional Board shall have an Allowed General Unsecured Claim of \$5,000,000 against MHC, Inc.

c. Liquidated Claim Amount for the State of Illinois Natural Resource Trustees

With respect to the Hegeler Zinc Site located in Illinois, the State of Illinois Natural Resource Trustees shall have an Allowed General Unsecured Claim of \$955,161 against Millennium Petrochemicals, Inc.

d. Liquidated Claim Amount for the Settling Michigan Agencies

With respect to the Allied Paper/Portage Creek/Kalamazoo River Site located in Michigan, the Settling Michigan Agencies shall have an Allowed General Unsecured Claim of \$30,067,687.60 against Millennium Holdings, LLC.

VI. SETTLEMENT OF THE DEBTORS' OBJECTIONS

5. In settlement of the Debtors' Objections to the proofs of claim filed by the Settling Federal Agencies, DTSC, the State Board, and the LA Regional Board, and the proof of claim deemed to have been filed by the Central Valley Regional Board pursuant to Paragraph 34, the Debtors shall, in addition to other consideration provided for under this Settlement Agreement, make payments and distributions to the aforementioned agencies in the amounts and in the manner set forth below.

a. Cash Payments to the United States on behalf of EPA

(1) With respect to the 68th Street Dump Site located in Maryland, the United States on behalf of EPA shall receive a cash payment in the amount of \$40,000.

(2) With respect to the Allied Paper/Portage Creek/Kalamazoo River Site located in Michigan, the United States on behalf of EPA shall receive a cash payment in the amount of \$49,549,379.

(3) With respect to the Barefoot Disposal Site located in Pennsylvania, the United States on behalf of EPA shall receive a cash payment in the amount of \$1,400,000.

(4) With respect to the Berks Landfill Site located in Pennsylvania, the United States on behalf of EPA shall receive a cash payment in the amount of \$67,771.

(5) With respect to the Diamond Alkali/Lower Passaic River Study Area Site located in New Jersey, the United States on behalf of EPA shall receive a cash payment in the amount of \$400,000.

(6) With respect to the French Limited Site located in Texas, the United States on behalf of EPA shall receive a cash payment in the amount of \$2,171,000.

b. Cash Payment to DTSC

With respect to the Hillview Porter Site, the Syntex Site, the Jefferson New Middle School Site, the DTSC Additional NPL Sites, and the DTSC Additional Other Sites, DTSC shall receive a cash payment in the amount of \$4,000,000.

c. Cash Payment to the LA Regional Board

With respect to the Weber Aircraft Burbank Site and the LA Regional Board Additional Sites, the LA Regional Board shall receive a cash payment in the amount of \$3,500,000.

d. Cash Payment to the Central Valley Regional Board

With respect to the Afterthought Mine Site and Kingsburg Winery Site, the Central Valley Regional Board shall receive a cash payment in the amount of \$500,000.

e. The cash amounts set forth in Paragraph 5.a-d shall be paid in full within thirty days of the Effective Date of this Settlement Agreement.

VII. TREATMENT OF DEBTOR-OWNED/OPERATED SITES

6. With respect to the Brunswick Facility located in Georgia, the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$499,980 against Millennium Specialty Chemicals Inc., in settlement and satisfaction of EPA's claim for civil penalties for alleged Prepetition days of violation of RCRA.

7. With respect to the Houston Refinery located in Texas, the United States on behalf of EPA shall have an Allowed General Unsecured Claim of \$480,000 against Houston Refining, LP, in settlement and satisfaction of EPA's claim for civil penalties for alleged Prepetition days of violation of the Clean Air Act, 42 U.S.C. §§ 7401-7671q.

8. Non-Dischargeability/Reservation Regarding Debtor-Owned/Operated Sites

a. The following claims of or obligations to the Settling Federal Agencies and the States with respect to Debtor-Owned/Operated Sites shall not be discharged under Section 1141 of the

Bankruptcy Code by the confirmation of the Plan of Reorganization, nor shall such claims or obligations be impaired or affected in any way by the Bankruptcy Cases or confirmation of the Plan of Reorganization:

(1) Claims against the Debtors by the Settling Federal Agencies or the States under Section 107 of CERCLA, 42 U.S.C. § 9607, or similar state laws for recovery of response costs incurred Postpetition with respect to response actions taken at a Debtor-Owned/Operated Site, including such response actions taken to address hazardous substances that have migrated from a Debtor-Owned/Operated Site to a proximate location;

(2) Claims against the Debtors by the Settling Federal Agencies or the States under Section 107 of CERCLA, 42 U.S.C. § 9607, or similar state laws for recovery of natural resource damages arising as a result of Postpetition releases or ongoing releases of hazardous substances at, or which migrate to a proximate location from, a Debtor-Owned/Operated Site;

(3) Claims against the Debtors by the Settling Federal Agencies or the States for recovery of civil penalties for violations of law resulting from Postpetition conduct of the Debtors. As used in this Paragraph, “Postpetition conduct” shall not include a failure to satisfy or comply with any Prepetition liability or obligations, or to pay a claim (including, without limitation, a penalty claim), except as required by or resulting from the terms of the Plan of Reorganization, any provision of this Settlement Agreement, or a final order of the Court confirming the Plan of Reorganization; or

(4) Actions against the Debtors by the Settling Federal Agencies or the States under CERCLA or RCRA or similar state laws seeking to compel the performance of a removal action, remedial action, corrective action, closure, or any other cleanup action at a Debtor-Owned/Operated Site, including actions to address hazardous substances that have migrated to a proximate location from a Debtor-Owned/Operated Site.

b. The Settling Federal Agencies and the States may pursue enforcement actions or proceedings under applicable law with respect to the Claims and obligations of the Debtors to the Settling Federal Agencies or the States under Subparagraph 8.a in the manner, and by the administrative or judicial tribunals, in which the Settling Federal Agencies or the States could have pursued enforcement actions or proceedings if the Bankruptcy Cases had never been commenced. The Debtors reserve the right to assert any and all defenses and counterclaims available to them under applicable law with respect to any Claims and obligations of the Debtors to the Settling Federal Agencies or the States under Subparagraph 8.a that are asserted by the Settling Federal Agencies or the States, except for any alleged defense of discharge of liabilities provided under the Bankruptcy Code, the Plan of Reorganization, or any order of confirmation. The Settling Federal Agencies and the States reserve all of their rights with respect to any defenses or counterclaims asserted by the Debtors under this Subparagraph.

VIII. SUMMARY OF ALLOWED GENERAL UNSECURED CLAIMS AND CASH PAYMENTS

9. As itemized in Paragraphs 4-7, the following Parties shall have Allowed General Unsecured Claims and shall receive cash payments in the total amounts listed below:

<u>Claimant</u>	<u>Total Allowed General Unsecured Claims</u>	<u>Total Cash Payments</u>
United States on behalf of EPA	\$1,011,144,336	\$53,628,150
United States on behalf of the Federal Trustees	\$124,731,125	\$0
United States on behalf of DOI	\$20,529	\$0
DTSC	\$7,000,000	\$4,000,000
Central Valley Regional Board	\$1,000,000	\$500,000

LA Regional Board	\$5,000,000	\$3,500,000
State of Illinois Natural Resource Trustees	\$955,161	\$0
Settling Michigan Agencies	\$30,067,687.60	\$0

IX. CREDITS AND SITE ACCOUNTS

10. With respect to the Allowed General Unsecured Claims set forth in Paragraph 4 for the Settling Federal Agencies, the State of Illinois Natural Resource Trustees, and the Settling Michigan Agencies, only the amount of cash received by such entity (and net cash received upon sale of any non-cash distributions) from the Debtors under this Settlement Agreement for the Allowed General Unsecured Claim for a particular site, and not the total amount of the allowed claim against the Debtors, shall be credited by each such entity to its account for a particular site, which credit shall reduce the liability of non-settling potentially responsible parties for the particular site by the amount of the credit.

11. The Settling Federal Agencies may, in their sole discretion, direct any portion of any cash distribution or the proceeds of any non-cash distribution received for a site pursuant to this Settlement Agreement into a site-specific special account established to fund response, assessment, and/or restoration actions at the site in the event that future work is anticipated at the site.

12. With respect to any cash distributions or proceeds of any non-cash distributions received pursuant to Paragraph 4.b or 5.b of this Settlement Agreement, DTSC shall deposit the funds to the subaccount established pursuant to California Health & Safety Code Section 25330.4 for the DTSC Lyondell Bankruptcy Sites. DTSC may, in its sole discretion, direct any portion of the funds to one or more of the DTSC Lyondell Bankruptcy Sites. Only the amount of cash actually expended by DTSC for a particular site will be credited to that site, which credit shall reduce the liability of non-settling responsible parties, if any, for a particular site by the amount actually expended by DTSC for the particular site.

13. With respect to any cash distributions or proceeds of any non-cash distributions received pursuant to Paragraph 5.d of this Settlement Agreement, the Central Valley Regional Board may, in its sole discretion, direct any portion of the funds to one or more of the Central Valley Regional Board Lyondell Bankruptcy Sites. Only the amount of cash actually expended by the Central Valley Regional Board for a particular site will be credited to that site, which credit shall reduce the liability of non-settling responsible parties, if any, for a particular site by the amount actually expended by the Central Valley Regional Board for the particular site.

14. With respect to any cash distributions or proceeds of any non-cash distributions received pursuant to Paragraphs 4.b or 5.c of this Settlement Agreement, the LA Regional Board may, in its sole discretion, direct any portion of the funds to one or more of the LA Regional Board Lyondell Bankruptcy Sites. Only the amount of cash actually expended by the LA Regional Board for a particular site will be credited to that site, which credit shall reduce the liability of non-settling responsible parties, if any, for a particular site by the amount actually expended by the LA Regional Board for the particular site.

X. INSURANCE PROCEEDS

15. To the extent that at any time after the Effective Date, the Debtors recover insurance proceeds on account of any of the Liquidated Sites in excess of the Debtors' costs of pursuing such insurance proceeds, the Debtors may retain 30% of such excess insurance proceeds on account of the Liquidated Sites and the Debtors shall pay 70% of such excess insurance proceeds on account of the Liquidated Sites to the United States, the Settling California Agencies, the State of Illinois Natural Resource Trustees, and/or the Settling Michigan Agencies, as applicable. The Debtors agree to allocate in writing any excess insurance proceeds on a fair and equitable basis among sites between Liquidated Sites and other sites based upon all of the facts and circumstances including, but not limited to, any defenses asserted by insurers, and with deference to any allocation by a court or in an approved settlement document. In determining the Debtors' cost of pursuing insurance proceeds for Liquidated Sites, the Debtors shall use

the same percentage allocation of costs as is used in the Debtors' allocation of recovery of excess insurance proceeds attributed to Liquidated Sites. To the extent that excess insurance proceeds are allocable to sites other than Liquidated Sites, no payment need be made to the United States, the Settling California Agencies, the State of Illinois Natural Resource Trustees, or the Settling Michigan Agencies from the excess insurance proceeds allocable to sites other than Liquidated Sites. The United States, the Settling California Agencies, the State of Illinois Natural Resource Trustees, and the Settling Michigan Agencies reserve the right to petition the Court for an adjustment of the Debtors' allocation based upon all of the facts and circumstances. The payments required to be made under this Paragraph shall be in addition to the payments required to be made under Paragraphs 4 and 5. However, under no circumstances, may the payments required to be made under this Paragraph, when combined with the consideration received for the Liquidated Sites by the Settling Federal Agencies, the Settling California Agencies, the State of Illinois Natural Resource Trustees, or the Settling Michigan Agencies under Paragraphs 4 and 33 of this Settlement Agreement, exceed the amount of the Allowed General Unsecured Claims for the Liquidated Sites under Paragraph 4. In the event that the excess insurance proceeds sharing requirements of this Paragraph would otherwise result in such an exceedance, the Debtors shall retain the additional amount of excess insurance proceeds necessary to avoid such an exceedance. With respect to any payments received by the United States, the Settling California Agencies, the State of Illinois Natural Resource Trustees, or the Settling Michigan Agencies under this Paragraph, the United States, the Settling California Agencies, the State of Illinois Natural Resource Trustees, and the Settling Michigan Agencies shall credit site accounts for particular Liquidated Sites only in accordance with the Debtors' allocation and payment for the particular Liquidated Site (unless adjusted by the Court), which credit shall reduce the liability of non-settling potentially responsible parties for the particular site by the amount of the credit.

XI. ENVIRONMENTAL CUSTODIAL TRUST

16. This Settlement Agreement hereby incorporates in full the Environmental Custodial Trust Agreement that is entered into by the parties thereto.

17. Le Petomane XXIII, Inc., not individually but solely in its representative capacity as Environmental Custodial Trust Trustee, by and through Jay A. Steinberg, not individually but solely in his representative capacity as president of the Environmental Custodial Trust, is appointed to serve as the Environmental Custodial Trust Trustee to administer the Environmental Custodial Trust and the Custodial Trust Accounts.

18. The Funds to be transferred pursuant to Section 2.5 of the Environmental Custodial Trust Agreement shall be transferred simultaneously with the transfer of the Transferred Real Properties to the Environmental Custodial Trust, and shall be allocated as follows:

- a. \$50,050,000 to be deposited in the Custodial Trust Response Cost Account for the Allied Paper Mill Transferred Real Property.
- b. \$2,000,000 to be deposited in the Custodial Trust Restoration Cost Account for the Allied Paper Mill Transferred Real Property.
- c. \$1,671,850 to be deposited in the Custodial Trust MDNRE Cost Account for the Allied Paper Mill Transferred Real Property.
- d. \$2,000,000 to be deposited in the Custodial Trust Environmental Cost Account for the Beaver Valley Transferred Real Property.
- e. \$8,000,000 to be deposited in the Custodial Trust Environmental Cost Account for the Bully Hill, Rising Star, and Excelsior Mines Transferred Real Properties.
- f. \$5,300,000 to be deposited in the Custodial Trust Environmental Cost Account for the Charlotte Transferred Real Property.

g. \$1,100,000 to be deposited in the Custodial Trust Environmental Cost Account for the Gypsum Pile Transferred Real Property.

h. \$10,000,000 to be deposited in the Custodial Trust Environmental Cost Account for the Saint Helena Transferred Real Property.

i. \$6,800,000 to be deposited in the Custodial Trust Environmental Cost Account for the Turtle Bayou Transferred Real Property.

j. \$21,500,000 to be deposited in the Custodial Trust Administrative Expense Account.

19. The Lead Government Agency and other governmental agency for each of the Transferred Real Properties or Custodial Trust Environmental Cost Accounts are as set forth in the table below:

Property or Account	Lead Government Agency	Other Governmental Agency
Allied Paper Mill Transferred Real Property Custodial Trust Response Cost Account	EPA	MDNRE
Allied Paper Mill Transferred Real Property Custodial Trust Restoration Cost Account	Federal Trustees	MDNRE
Allied Paper Mill Transferred Real Property Custodial Trust MDNRE Account	MDNRE	EPA
Beaver Valley Transferred Real Property	PADEP	EPA
Bully Hill, Rising Star, and Excelsior Mines Transferred Real Properties	Central Valley Regional Board	EPA
Charlotte Transferred Real Property	NCDWM	EPA
Gypsum Pile Transferred Real Property	IEPA	EPA
Saint Helena Transferred Real Property	EPA	MDE

Turtle Bayou Transferred Real Property	EPA	TCEQ
--	-----	------

After this Settlement Agreement's execution, the United States and the relevant State governmental unit(s) may provide the Environmental Custodial Trust Trustee with joint written notice that the Lead Government Agency for a particular Transferred Real Property has changed.

20. Neither the United States, the States, nor any of the Debtors shall be deemed to be an owner, operator, trustee, partner, agent, shareholder, officer, or director of the Environmental Custodial Trust or the Custodial Trust Parties, or to be an owner or operator of any of the Transferred Real Properties or owner of the Funds on account of this Settlement Agreement or actions contemplated thereby.

21. Notwithstanding any other provision of this Settlement Agreement, the Debtors shall continue, at their own expense, the operation of any required ongoing environmental activities at the Transferred Real Properties until the Funds and Transferred Real Properties are transferred to the Environmental Custodial Trust in accordance with this Settlement Agreement and the Environmental Custodial Trust Agreement. Upon such transfer, all obligations of the Debtors to perform work pursuant to any outstanding Consent Decree, Unilateral Administrative Order, Agreed Order, Administrative Order on Consent, or permit regarding any of the Transferred Real Properties or Sites shall be deemed fully resolved and satisfied by this Settlement Agreement, and the applicable Debtor(s) shall be removed as a party to such orders, decrees, or permits, provided that the relevant Parties shall execute and file such papers as may be necessary to substitute the Environmental Custodial Trust for the applicable Debtor(s) with respect to any outstanding orders, decrees, or permits regarding any of the Transferred Real Properties. The outstanding orders, decrees, and permits referenced in the preceding sentence are listed in Exhibit D to this Settlement Agreement. Any statutory, stipulated, or other penalties allegedly due from any Debtor as of the date of lodging of this Settlement Agreement, in connection with such orders, decrees, or permits, shall be deemed fully resolved and satisfied by this Settlement Agreement.

22. The Environmental Custodial Trust Trustee shall at all times seek to have the Environmental Custodial Trust treated as a “qualified settlement fund” as that term is defined in Treasury Regulation Section 1.468B-1. For purposes of complying with Section 468B(g)(2) of the Internal Revenue Code, this Settlement Agreement shall constitute a consent decree between the Parties. Approval of the Bankruptcy Court, as a unit of the District Court, shall be sought, and the Bankruptcy Court shall retain continuing jurisdiction over the Environmental Custodial Trust sufficient to satisfy the requirements of Treasury Regulation Section 1.468B-1. The Environmental Custodial Trust Trustee will not elect to have the Environmental Custodial Trust treated as a grantor trust. The Environmental Custodial Trust shall be treated as a separate taxable entity. The Environmental Custodial Trust Trustee shall cause any taxes imposed on the earnings of the Environmental Custodial Trust to be paid out of such earnings and shall comply with all tax reporting and withholding requirements imposed on the Environmental Custodial Trust under applicable tax laws. The Environmental Custodial Trust Trustee shall be the “administrator” of the Environmental Custodial Trust pursuant to Treasury Regulation Section 1.468B-2(k)(3).

XII. TREATMENT OF ADDITIONAL SITES

23. With respect to the Additional Sites, all liabilities and obligations of the Debtors to the Settling Federal Agencies, DTSC, and the LA Regional Board under Sections 106 and 107 of CERCLA, 42 U.S.C. §§ 9606 and 9607, Section 7003 of RCRA, 42 U.S.C. § 6973, and Similar California Laws arising from Prepetition acts, omissions, or conduct of the Debtors or their predecessors, including without limitation the Prepetition generation, transportation, disposal, or release of hazardous wastes or materials or the Prepetition ownership or operation of hazardous waste facilities, shall be treated as follows: the Settling Federal Agencies, DTSC, and the LA Regional Board shall receive no distributions in the Bankruptcy Cases with respect to such liabilities and obligations, but the applicable Debtors shall be required to pay the Settling Federal Agencies, DTSC, or the LA Regional Board, or such other party as

they may designate, such amounts as are provided for in Paragraphs 24 and 25, and no additional amounts, unless otherwise provided in a future settlement agreement or consent decree.

24. If and when the Settling Federal Agencies, DTSC, or the LA Regional Board undertakes enforcement activities in the ordinary course with respect to an Additional Site, the United States, DTSC, or the LA Regional Board may seek a determination of the liability, if any, of any Debtor identified as a potentially responsible party with respect to that Additional Site and may seek to obtain a judgment of liability of the Debtor or enter into a settlement with the Debtor with regard to the Additional Site in the manner and before the administrative or judicial tribunal in which the Settling Federal Agencies' claims, DTSC's claims, or the LA Regional Board's claims would have been resolved or adjudicated if the Bankruptcy Cases had never been commenced. However, the Settling Federal Agencies, DTSC, and the LA Regional Board shall not issue or cause to be issued any unilateral order or seek any injunction against the Debtors under Section 106 of CERCLA, 42 U.S.C. § 9606, Section 7003 of RCRA, 42 U.S.C. § 6973, or Similar California Laws arising from the Prepetition acts, omissions, or conduct of the Debtors or their predecessors with respect to an Additional Site, except as provided in Paragraph 29. The Debtors and the Settling Federal Agencies, DTSC, and/or the LA Regional Board will attempt to settle each liability or obligation asserted by the Settling Federal Agencies, DTSC, or the LA Regional Board against any Debtor relating to an Additional Site on a basis that is fair and equitable under the circumstances, including consideration of (i) settlement proposals made to other potentially responsible parties who are similar to the Debtor in the nature of their involvement with the site, (ii) the fact of the Debtor's bankruptcy, and (iii) the circumstances of this Settlement Agreement; but nothing in this sentence shall create an obligation of the Settling Federal Agencies, DTSC, or the LA Regional Board that is subject to judicial review. The aforesaid resolution or adjudication of liability may occur notwithstanding the terms of the Plan of Reorganization, the order confirming the Plan of Reorganization, or the terms of any order entered to effectuate the discharge received by the Debtors. In any action or proceeding with respect to an Additional

Site, the Debtors, the Settling Federal Agencies, DTSC, and the LA Regional Board reserve any and all rights, claims, and defenses they would have been entitled to assert had the claim been adjudicated in the ordinary course or during the course of the Bankruptcy Cases, including, without limitation, any argument that joint and several liability should or should not be imposed upon any Debtor identified as a potentially responsible party with respect to that Additional Site, but not including any right to have the claim estimated. Nothing herein shall be construed to limit the rights of the Debtors, the Settling Federal Agencies, DTSC, or the LA Regional Board to assert any and all rights, claims, and defenses they may have in actions or proceedings involving other parties with respect to Additional Sites.

25. In the event any liability is liquidated pursuant to Paragraph 24 by settlement or judgment to a determined amount (the “Determined Amount”), the Debtor(s) with which such settlement is made or against which such judgment is entered will satisfy such liability within thirty days after the later of the effective date of the Plan of Reorganization or the date on which the settlement or judgment is final and effective (the “Settlement/Judgment Date”) as follows: (a) for DTSC Additional NPL Sites and U.S. Additional CERCLIS/NPL Sites, by providing DTSC or the respective Settling Federal Agency the “Distribution Amount” to the extent that any funds are available under the Plan of Reorganization, including any disputed claim reserve, to make distributions to holders of Allowed General Unsecured Claims against the Debtor(s) in question; and (b) for DTSC Additional Other Sites, LA Regional Board Additional Sites, U.S. Additional Other Sites, and Reserved Additional Sites, by providing DTSC, the LA Regional Board, or the respective Settling Federal Agency the Distribution Amount. The Distribution Amount shall be the value of the consideration which would have been distributed under the Plan of Reorganization to the holder of such Claim if the Determined Amount had been an Allowed General Unsecured Claim in such amount under the Plan of Reorganization. Except as provided in Paragraph 26, the Distribution Amount shall be paid in the same form (*e.g.*, cash, notes, etc.) as was distributed under the Plan of Reorganization. The Settling Federal Agencies, DTSC, and the LA Regional Board shall have no

recourse under the provisions of this Paragraph against a Schedule III Debtor (as that term is defined in the Plan of Reorganization) to the extent that the Schedule III Debtor has been liquidated pursuant to the Bankruptcy Code or has no assets with which to pay the Distribution Amount.

26. In the event that the Plan of Reorganization provides that Allowed General Unsecured Claims will receive consideration other than cash, the Debtors may, in their sole discretion, provide the non-cash portion of the Distribution Amount to the Settling Federal Agencies, DTSC, or the LA Regional Board in cash that has an aggregate value as of the Settlement/Judgment Date that is equivalent to the non-cash portion of the Distribution Amount. For purposes of determining the value of the consideration paid to the holders of Allowed General Unsecured Claims at the time of distribution(s), notes shall have a value equal to their face value and equity securities shall have a value equal to the weighted average of the reported regular way sales prices of all transactions for the security on the New York Stock Exchange on the date(s) of distribution (or the first date thereafter on which the security trades), or if the security is not listed or admitted to trade on such exchange, on the principal national securities exchange on which the security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, the weighted average of the reported bid prices for the security on all transactions on the National Association of Securities Dealers Automated Quotations National Market System or, if the security is not listed or admitted to trading on any national securities exchange or quoted on such National Market System, the weighted average of the reported sales prices for such security on all transactions in the over-the-counter market in the United States as furnished by any New York Stock Exchange member firm selected by the Debtors and the relevant claimant for that purpose. For purposes of determining the number of shares of securities that have the value of the Distribution Amount on the Settlement/Judgment Date, the fair market value per share of securities on the Settlement/Judgment Date shall be determined as set forth in the immediately preceding sentence. The terms of this Paragraph and Paragraphs 23-25 of this Settlement Agreement shall apply to, be binding on, and inure to the benefit of any successor or assign of the Debtors

to the extent that and only to the extent that the alleged liability of the successor or assign for an Additional Site is based solely on its status as and in its capacity of a successor or assign of the Debtors.

27. Claims of or obligations to the Settling Federal Agencies, DTSC, or the LA Regional Board resulting from the Debtors' Postpetition conduct at Additional Sites that would give rise to liability under Sections 106 and 107 of CERCLA, 42 U.S.C. §§ 9606 and 9607, Section 7003 of RCRA, 42 U.S.C. § 6973, and Similar California Laws shall not be discharged under Section 1141 of the Bankruptcy Code by the confirmation of the Plan of Reorganization, nor shall such Claims or obligations be impaired or affected in any way by the Bankruptcy Cases or confirmation of the Plan of Reorganization. As used in the preceding sentence, the phrase "Postpetition conduct" does not include continuing releases related to conduct occurring before the date of lodging of this Settlement Agreement.

28. The Settling Federal Agencies, DTSC, and the LA Regional Board may pursue enforcement actions or proceedings under applicable law with respect to their Claims against and obligations of the Debtors under Paragraph 27 in the manner, and by the administrative or judicial tribunals, in which the Settling Federal Agencies, DTSC, or the LA Regional Board could have pursued enforcement actions or proceedings if the Bankruptcy Cases had never been commenced. The Debtors reserve the right to assert any and all defenses and counterclaims available to them under applicable law with respect to any such Claims and obligations, except for any alleged defense of discharge of liabilities provided under the Bankruptcy Code, any plan of reorganization, or order of confirmation. The Settling Federal Agencies, DTSC, and the LA Regional Board reserve all of their rights with respect to any defenses or counterclaims asserted by the Debtors under this Paragraph.

29. Notwithstanding any other provision of this Settlement Agreement, neither this Settlement Agreement, the confirmation of the Plan of Reorganization, nor the Bankruptcy Cases shall operate to discharge, impair, or release any Debtor from its obligation to comply with any RCRA Order issued with respect to a Reserved Additional Site. Moreover, neither this Settlement Agreement, the confirmation of

the Plan of Reorganization, nor the Bankruptcy Cases shall act to enjoin, restrain, or prevent the United States from taking any action to enforce Section 7003 of RCRA, 42 U.S.C. § 6973, or state law similar to RCRA, against a Debtor with respect to any Reserved Additional Site, including but not limited to any action to issue, seek, or enforce a RCRA Order. The United States may pursue such enforcement action in the manner, and by the administrative or judicial tribunals, in which it could have pursued such action if the Bankruptcy Cases had never been commenced.

XIII. TREATMENT OF ALLOWED CLAIMS

30. All Allowed General Unsecured Claims under or pursuant to the terms of this Settlement Agreement, including without limitation any such Claims as may eventually be allowed pursuant to Paragraphs 24-26 (Treatment of Prepetition Liabilities for Additional Sites), regardless of the holder of such Claims, (i) will receive the same treatment under the Plan of Reorganization, without discrimination, as other Allowed General Unsecured Claims with all attendant rights provided by the Bankruptcy Code and other applicable law, and (ii) will not be entitled to any priority in distribution (although the provisions of Section X (Insurance Proceeds) shall apply in the event of excess insurance proceeds, and the provisions of Paragraph 33 shall apply with respect to setoff). In no event shall the general unsecured Claims allowed or to be allowed pursuant to this Settlement Agreement be subordinated to any other Allowed General Unsecured Claims pursuant to any provision of the Bankruptcy Code or other applicable law that authorizes or provides for subordination of allowed Claims, including without limitation Sections 105, 510, and 726(a)(4) of the Bankruptcy Code.

31. The Claims allowed in this Settlement Agreement do not constitute, nor shall they be construed as, forfeitures, fines, or penalties (or payments in lieu thereof), and nothing herein is intended, or shall be construed, as an admission by the Debtors of any facts or any violation of law. Notwithstanding the foregoing, the Debtors do agree to comply with all terms of this Settlement Agreement upon the Effective Date.

32. Notwithstanding any other provision of this Settlement Agreement, and except as provided under applicable law, there shall be no restrictions on the ability and right of the Settling Federal Agencies, the Settling California Agencies, the State of Illinois Natural Resource Trustees, or the Settling Michigan Agencies to transfer or sell all or a portion of any securities distributed to them pursuant to the Plan of Reorganization, to sell their right to all or a portion of any distributions under the Plan to one or more third parties, or to transfer or sell to one or more third parties all or a portion of any Allowed General Unsecured Claims pursuant to this Settlement Agreement.

33. The treatment of claims as Allowed General Unsecured Claims under this Settlement Agreement is without prejudice to any right of the United States, the Settling California Agencies, the State of Illinois Natural Resource Trustees, or the Settling Michigan Agencies to set off, against the debts underlying such claims, the following, to the extent otherwise permitted under applicable law: (a) any debts owed by or in connection with the U.S. Customs and Border Protection (an agency within the U.S. Department of Homeland Security) to a particular Debtor or Debtors; and (b) any tax refunds or other tax-related debts owed to a particular Debtor or Debtors (the “Tax Refund Setoff”), as further specified in the remainder of this Paragraph. The Tax Refund Setoff shall not exceed \$10 million in total, and the Debtors reserve the right to dispute, under applicable law, any effort by the United States to utilize the Tax Refund Setoff to recover unpaid portions of any Allowed General Unsecured Claims set forth in Sections V and VII of this Settlement Agreement **other than** the unpaid portions of the United States’ Allowed General Unsecured Claims against Lyondell Chemical Company. If any tax refunds or other tax-related debts become due to a particular Debtor or Debtors, the United States shall not withhold payment of any amount of such tax refunds or other tax-related debts in excess of the \$10 million Tax Refund Setoff cap identified above for purposes of setting off any Allowed General Unsecured Claims of the Settling Federal Agencies. The United States, DTSC, and the LA Regional Board shall not under this Settlement

Agreement, the Plan of Reorganization, or otherwise, exercise any right of setoff with respect to Determined Amounts or Distribution Amounts for Additional Sites.

34. The U.S. Proofs of Claim, the DTSC Proofs of Claim, the State Board Proofs of Claim, the LA Regional Board Proofs of Claim, the State of Illinois Natural Resource Trustees' Proof of Claim, and the Settling Michigan Agencies' Proof of Claim shall be deemed satisfied in full in accordance with the terms of this Settlement Agreement. Moreover, the approval of this Settlement Agreement by the Court, together with the proofs of claim referenced in the preceding sentence, shall be deemed to satisfy any requirement for the Settling Federal Agencies, the Settling California Agencies, the State of Illinois Natural Resource Trustees, and the Settling Michigan Agencies to file in these Bankruptcy Cases any claim, request, or demand for the disbursement of funds as provided herein. No further proof of claim or other request or demand by the Settling Federal Agencies, the Settling California Agencies, the State of Illinois Natural Resource Trustees, or the Settling Michigan Agencies shall be required. Any and all proofs of claim deemed to be filed pursuant to this Paragraph shall also be deemed satisfied in full in accordance with the terms of this Settlement Agreement.

35. The Court order approving this Agreement shall provide that the Objections to the U.S. Proofs of Claim, the DTSC Proofs of Claim, the State Board Proofs of Claim, and the LA Regional Board Proofs of Claim and the United States and the Settling California Agencies' Motion to Withdraw the Reference are withdrawn, with respect to the causes of actions, claims and defenses asserted therein, without costs or attorney's fees to any party.

XIV. DISTRIBUTION INSTRUCTIONS

36. Distributions

a. Distributions to the United States

(1) Cash distributions to the United States shall be made by FedWire Electronic Funds Transfer ("EFT") to the United States Department of Justice account in accordance with current EFT

procedures. Payment shall be made in accordance with instructions provided to the Debtors by the Financial Litigation Unit of the United States Attorney's Office for the Southern District of New York and shall reference Bankruptcy Case Number 09-10023 and DOJ File Number 90-5-2-1-2132/3. The Debtors shall transmit written confirmation of such payments to the United States at the addresses specified in Paragraph 48. In the event that the United States sells or transfers its Claims, payment shall be made to a transferee only at such time as the Debtors and, as applicable, any claims administrator or liquidating trustee appointed in these cases receive written instructions from the United States directing that payments be made to a transferee and instructions as to where such payments should be directed, and, prior to the closing of the Bankruptcy Cases, after an evidence of claim transfer has been filed with the Bankruptcy Court.

(2) Non-cash distributions to the United States on behalf of EPA shall be made to:

U.S. EPA -- Superfund
P.O. Box 371003M
Pittsburgh, PA 15251

Non-cash distributions to the United States on behalf of DOI or the Federal Trustees shall be made in accordance with instructions provided to the Debtors by the Financial Litigation Unit of the United States Attorney's Office for the Southern District of New York. The Debtors shall transmit written confirmation of non-cash distributions to the United States at the addresses specified in Paragraph 48, with a reference to Bankruptcy Case Number 09-10023 and DOJ File Number 90-5-2-1-2132/3,

b. Cash distributions to DTSC shall be made either by EFT or by cashier's check. If by cashier's check, the check shall be made payable to the "California Department of Toxic Substances Control" and shall be sent by first class mail to: Orchid Kwei, Esq., Office of Legal Counsel, 1001 I Street, P.O. Box 806, Sacramento, CA 95812-0806, and shall reference the "Lyondell Bankruptcy Sites." Non-cash distributions to DTSC shall be made to the same address. The Debtors shall transmit written confirmation of distributions to DTSC as specified in Paragraph 48.

c. Cash distributions to the Central Valley Regional Board shall be made by certified check made payable to the “State Water Resources Control Board Cleanup and Abatement Account” and shall be made in person or sent by first class or overnight mail to the following address, with a reference to the “Lyondell Settlement Cleanup of Sites in the Central Valley Region”: State Water Resources Control Board, Accounting Office, 18th Floor, P.O. Box 100, Sacramento, CA 95812-0100. Non-cash distributions to the Central Valley Regional Board shall be made to the same address. The Debtors shall transmit written confirmation of distributions to the Central Valley Regional Board as specified in Paragraph 48.

d. Cash distributions to the LA Regional Board shall be made by certified check made payable to the “State Water Resources Control Board Cleanup and Abatement Account” and shall be made in person or sent by first class or overnight mail to the following address, with a reference to the “Lyondell Settlement Cleanup of Sites in the Los Angeles Region”: State Water Resources Control Board, Accounting Office, 18th Floor, P.O. Box 100, Sacramento, CA 95812-0100. Non-cash distributions to the LA Regional Board shall be made to the same address. The Debtors shall transmit written confirmation of distributions to the LA Regional Board as specified in Paragraph 48.

e. Cash distributions to the State of Illinois Natural Resource Trustees shall be made to the Division of Ecosystems and Environment, Office of Realty and Planning, Department of Natural Resources, One Natural Resources Way, Springfield, IL 62702. Non-cash distributions to the State of Illinois Natural Resource Trustees shall be made to the same address. The Debtors shall transmit written confirmation of distributions to the State of Illinois Natural Resource Trustees as specified in Paragraph 48.

f. Cash distributions to the Settling Michigan Agencies shall be made by certified check, made payable to the “State of Michigan – Environmental Response Fund” and shall be sent by first class mail to: Michigan Department of Natural Resources and the Environment, Financial and Business

Cashiering/Revenue Control Unit, P.O. Box 30657, 525 West Allegan, Lansing, MI 48909-8157, and shall reference the Settlement ID Number RRD2259 and “Allied Paper/Portage Creek/Kalamazoo River Superfund Site, Lyondell Bankruptcy.” Non-cash distributions to the Settling Michigan Agencies shall be made to the same address. The Debtors shall transmit written confirmation of distributions to the Settling Michigan Agencies as specified in Paragraph 48.

XV. COVENANT NOT TO SUE, RELEASES, AND RESERVATION OF RIGHTS

37. In consideration of all of the foregoing, including, without limitation, the payments and/or distributions that will be made on account of the Allowed General Unsecured Claims as provided herein, the cash payments pursuant to Paragraph 5, and the full funding of all Custodial Trust Accounts as provided in this Settlement Agreement and the Environmental Custodial Trust Agreement:

a. EPA and the States (except for NCDWM and TCEQ) covenant not to file a civil action or to take any administrative or other civil action against the Debtors or the Custodial Trust Parties pursuant to Sections 106 or 107 of CERCLA, 42 U.S.C. §§ 9606 or 9607, and Sections 7002 or 7003 of RCRA, 42 U.S.C. §§ 6972 or 6973, or any similar state laws with respect to each of the Liquidated Sites and Transferred Real Properties.

b. DOI covenants not to file a civil action or to take any administrative or other civil action against the Debtors or the Custodial Trust Parties pursuant to Section 107 of CERCLA, 42 U.S.C. § 9607, with respect to the Allied Paper/Portage Creek/Kalamazoo River Site, the Allied Paper Mill Transferred Real Property, the Diamond Alkali/Lower Passaic River Study Area Site, or the Hegeler Zinc Site. With respect to all other Liquidated Sites and Transferred Real Properties, all liabilities and obligations of the Debtors to DOI under Section 107 of CERCLA, 42 U.S.C. § 9607, arising from Prepetition acts, omissions, or conduct of the Debtors or their predecessors shall be discharged under Section 1141 of the Bankruptcy Code by the confirmation and effectiveness of the Plan of Reorganization.

c. NOAA covenants not to file a civil action or to take any administrative or other civil action against the Debtors or the Custodial Trust Parties pursuant to Section 107 of CERCLA, 42 U.S.C. § 9607, with respect to the Allied Paper/Portage Creek/Kalamazoo River Site, the Allied Paper Mill Transferred Real Property, or the Diamond Alkali/Lower Passaic River Study Area Site. With respect to all other Liquidated Sites and Transferred Real Properties, all liabilities and obligations of the Debtors to NOAA under Section 107 of CERCLA, 42 U.S.C. § 9607, arising from Prepetition acts, omissions, or conduct of the Debtors or their predecessors shall be discharged under Section 1141 of the Bankruptcy Code by the confirmation and effectiveness of the Plan of Reorganization.

d. NCDWM releases and agrees not to sue or to take administrative action (i) against the Debtors pursuant to Sections 106 or 107 of CERCLA, 42 U.S.C. §§ 9606 or 9607, and Sections 7002 or 7003 of RCRA, 42 U.S.C. §§ 6972 or 6973, or any similar state laws for any liabilities or obligations asserted in NCDWM's proof of claim (Claim No. 4430) with respect to the Charlotte Transferred Real Property, or (ii) against the Custodial Trust Parties pursuant to Sections 106 or 107 of CERCLA, 42 U.S.C. §§ 9606 or 9607, and Sections 7002 or 7003 of RCRA, 42 U.S.C. §§ 6972 or 6973, or any similar state laws with respect to the Charlotte Transferred Real Property.

e. TCEQ releases and agrees not to sue or to take administrative action (i) against the Debtors pursuant to Sections 106 or 107 of CERCLA, 42 U.S.C. §§ 9606 or 9607, and Sections 7002 or 7003 of RCRA, 42 U.S.C. §§ 6972 or 6973, or any similar state laws for any liabilities or obligations asserted in TCEQ's proof of claim (Claim No. 8183) with respect to the Turtle Bayou Transferred Real Property, or (ii) against the Custodial Trust Parties pursuant to Sections 106 or 107 of CERCLA, 42 U.S.C. §§ 9606 or 9607, and Sections 7002 or 7003 of RCRA, 42 U.S.C. §§ 6972 or 6973, or any similar state laws with respect to the Turtle Bayou Transferred Real Property.

The foregoing covenants not to sue and/or releases and agreements not to sue shall take effect on the Effective Date.

38. This Settlement Agreement in no way impairs the scope and effect of the Debtors' discharge under Section 1141 of the Bankruptcy Code as to any third parties or as to any Claims that are not addressed by this Settlement Agreement.

39. Without in any way limiting the covenant not to sue (and the reservations thereto) set forth in Paragraph 37, and notwithstanding any other provision of this Settlement Agreement, such covenant not to sue shall also apply to the Debtors' successors and assigns, officers, directors, employees, and trustees, but only to the extent that the alleged liability of the successor or assign, officer, director, employee, or trustee of any Debtor is based solely on its status as and in its capacity as a successor or assign, officer, director, employee, or trustee of any Debtor.

40. The covenants not to sue and/or releases and agreements not to sue contained in Paragraphs 37 and 39 of this Settlement Agreement extend only to the Debtors and the persons described in Paragraphs 37 and 39 above and do not extend to any other person. Nothing in this Settlement Agreement is intended as a covenant not to sue or a release from liability for any person or entity other than the Debtors, the United States, the States, the Custodial Trust Parties, and the persons described in Paragraph 39. The United States, the States, the Custodial Trust Parties, and the Debtors expressly reserve all claims, demands, and causes of action, either judicial or administrative, past, present, or future, in law or equity, which they may have against all other persons, firms, corporations, entities, or predecessors of the Debtors for any matter arising at or relating in any manner to the sites or claims addressed herein.

41. The covenants not to sue and/or releases and agreements not to sue set forth in Paragraph 37 do not pertain to any matters other than those expressly specified therein. The United States and the States expressly reserve, and this Settlement Agreement is without prejudice to, all rights against the Debtors and the persons described in Paragraph 39 with respect to all other matters other than those set forth in Paragraph 37. The United States and the States also specifically reserve, and this Settlement Agreement is without prejudice to, any action based on (i) a failure to meet a requirement of this Settlement Agreement;

(ii) criminal liability; or (iii) matters reserved in Paragraph 8 (Non-Dischargeability/Reservation Regarding Debtor-Owned/Operated Sites). In addition, the United States and the States reserve, and this Settlement Agreement is without prejudice to, all rights against the Debtors, their successors, assigns, officers, directors, employees, and trustees with respect to the Liquidated Sites and Transferred Real Properties for liability for response costs, natural resource damages (including natural resource damage assessment costs), and injunctive relief under CERCLA, RCRA, or state law for acts that occur after the date of lodging of this Settlement Agreement and give rise to liability under CERCLA, RCRA, or state law. As used in the preceding sentence, the phrase “acts that occur after the date of lodging of this Settlement Agreement” does not include continuing releases related to conduct occurring before the date of lodging of this Settlement Agreement, or continued ownership by any Debtor of any of the Transferred Real Properties prior to their transfer to the Environmental Custodial Trust in accordance with this Settlement Agreement and the Environmental Custodial Trust Agreement.

42. Nothing in this Settlement Agreement shall be deemed to limit the authority of the United States or the States to take response action under Section 104 of CERCLA, 42 U.S.C. § 9604, or any other applicable law or regulation, or to alter the applicable legal principles governing judicial review of any action taken by the United States or the States pursuant to such authority. Nothing in this Settlement Agreement shall be deemed to limit the information-gathering authority of the United States or the States under Sections 104 and 122 of CERCLA, 42 U.S.C. §§ 9604 and 9622, or any other applicable federal or state law or regulation, or to excuse the Debtors or the Environmental Custodial Trust Trustee from any disclosure or notification requirements imposed by CERCLA, RCRA, or any other applicable federal or state law or regulation.

43. The Debtors and the Environmental Custodial Trust Trustee hereby covenant not to sue and agree not to assert or pursue any claims or causes of action against the United States and the States with respect to the Liquidated Sites or Transferred Real Properties, and the Debtors covenant not to sue and

agree not to assert claims or causes of action against the Custodial Trust Parties, including, but not limited to (i) any direct or indirect claim for reimbursement from the Hazardous Substances Superfund (established pursuant to the Internal Revenue Code, 26 U.S.C. § 9507) through Sections 106(b)(2), 111, 112, or 113 of CERCLA, 42 U.S.C. §§ 9606(b)(2), 9611, 9612, or 9613, or any other provision of law, or from the California Hazardous Substance Account, the California State Water Cleanup and Abatement Account, or any similar funds or accounts of the States pursuant to any provision of law; (ii) any claim against the United States or the States, including any department, agency, or instrumentality of the United States or the States, under Sections 107 or 113 of CERCLA, 42 U.S.C. §§ 9607 or 9613, related to the Liquidated Sites or Transferred Real Properties; or (iii) any claims arising out of response activities at the Liquidated Sites or the Transferred Real Properties. Such covenant not to sue shall also apply to the United States' and the States' officers, directors, employees, trustees, successors, and assigns. Nothing in this Settlement Agreement shall be deemed to constitute preauthorization of a claim within the meaning of Section 111 of CERCLA, 42 U.S.C. § 9611, or 40 C.F.R. § 300.700(d).

44. Notwithstanding Paragraph 43, nothing in this Settlement Agreement shall affect the validity or enforceability by the Environmental Custodial Trust of the Agreement dated March 12, 1997, among ARCO Chemical Company, Beazer East, Inc., and the United States with respect to the Beaver Valley Transferred Real Property. Furthermore, nothing in this Settlement Agreement shall be interpreted to modify the terms of the Agreement dated March 12, 1997.

XVI. CONTRIBUTION PROTECTION

45. The Parties agree that, and by entering this Settlement Agreement and the Environmental Custodial Trust Agreement, the Court finds, that this settlement constitutes a judicially-approved settlement for purposes of Section 113(f)(2) of CERCLA, 42 U.S.C. § 9613(f)(2), and that the Debtors and the Custodial Trust Parties are entitled, as of the Effective Date, to protection from contribution actions or claims as provided by Section 113(f)(2) of CERCLA, 42 U.S.C. § 9613(f)(2), or as may be otherwise

provided by law, for “matters addressed” in this Settlement Agreement. Subject to the last sentence of this Paragraph, the “matters addressed” in this Settlement Agreement, as that phrase is used in Section 113(f)(2) of CERCLA, 42 U.S.C. § 9613(f)(2), include, without limitation, (i) claims by EPA or potentially responsible parties for response costs at or in connection with each of the Liquidated Sites and Transferred Real Properties, including claims related to releases of hazardous substances from any portion of the Liquidated Sites and Transferred Real Properties and all areas affected by natural migration of such substances from such sites; (ii) claims by DOI or potentially responsible parties for natural resource damages for injury to DOI trust resources (including related natural resource damage assessment costs) at or in connection with each of the Liquidated Sites and Transferred Real Properties for which DOI is providing a covenant not to sue pursuant to Paragraph 37, including claims related to releases of hazardous substances from any portion of the Liquidated Sites and Transferred Real Properties and all areas affected by natural migration of such substances from such sites; and (iii) claims by NOAA or potentially responsible parties for natural resource damages for injury to NOAA trust resources (including related natural resource damage assessment costs) at or in connection with each of the Liquidated Sites and Transferred Real Properties for which NOAA is providing a covenant not to sue pursuant to Paragraph 37, including claims related to releases of hazardous substances from any portion of the Liquidated Sites and Transferred Real Properties and all areas affected by natural migration of such substances from such sites. The “matters addressed” in this Settlement Agreement do not include claims against any of the Debtors for liquidated past response costs incurred prior to the Petition Dates and included in proofs of claim filed in any of the Bankruptcy Cases by potentially responsible parties with respect to any of the Liquidated Sites or Transferred Real Properties.

46. The Debtors each agree that with respect to any suit for contribution brought against any of them after the Effective Date for matters related to this Settlement Agreement, they will notify the United States and the States, as applicable, within fifteen business days of service of the complaint upon them. In

addition, in connection with such suit, the Debtors shall notify the United States and the States, as applicable, within fifteen business days of service or receipt of any Motion for Summary Judgment and within fifteen business days of receipt of any order from a court setting a case for trial (provided, however, that the failure to notify the United States pursuant to this Paragraph shall not in any way affect the protections afforded under Section XV (Covenants Not to Sue, Releases, and Reservation of Rights)).

XVII. FINANCIAL ASSURANCE

47. EPA, the States, and the Debtors shall take all appropriate steps under each financial assurance instrument to release all financial assurance maintained by the Debtors at Liquidated Sites or Transferred Real Properties, as listed in Exhibit E to this Settlement Agreement, within thirty days after the Debtors transfer all funds pursuant to Sections VI and XI of this Settlement Agreement.

XVIII. NOTICES AND SUBMISSIONS

48. Whenever, under the terms of this Settlement Agreement, written notice is required to be given, or a report or other document is required to be sent by one Party to another, it shall be directed to the individuals at the addresses specified below via U.S. certified mail, return receipt requested, unless those individuals or their successors give notice of a change of address to the other Parties in writing. All notices and submissions shall be considered effective upon receipt, unless otherwise provided. Except as otherwise provided in this Settlement Agreement, written notice as specified herein shall constitute complete satisfaction of any written notice requirement in the Settlement Agreement with respect to the Parties.

As to the United States:

Assistant Attorney General
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
Ben Franklin Station
Washington, DC 20044
Ref. DOJ File No. 90-5-2-1-2132/3

Pierre G. Armand
Assistant United States Attorney
Office of the United States Attorney
for the Southern District of New York
86 Chambers Street, Third Floor
New York, NY 10007

As to EPA:

David Smith-Watts
Attorney-Advisor
U.S. Environmental Protection Agency
Ariel Rios Building
1200 Pennsylvania Avenue, NW
Washington, DC 20460

As to DOI:

Amy Horner
Attorney Advisor
U.S. Department of the Interior
Office of the Solicitor
1849 C Street, NW
Washington, DC 20240

As to NOAA:

M.E. Rolle
National Oceanic and Atmospheric Administration
263 13th Avenue South
Saint Petersburg, FL 33701

As to DTSC:

Margarita Padilla
Supervising Deputy Attorney General
Office of the California Attorney General
1515 Clay Street, 20th Floor
P.O. Box 70550
Oakland, CA 94612-0550

Barbara Cook
Acting Assistant Deputy Director
Brownfields and Environmental Restoration Program
California Department of Toxic Substances Control
700 Heinz Street, Suite 200
Berkeley, CA 94710-2721

Orchid Kwei, Esq.
California Department of Toxic Substances Control
Office of Legal Counsel
1001 I Street
P.O. Box 806
Sacramento, CA 95812-0806

As to the State Board:

Marilyn H. Levin
Noah Golden-Krasner
Deputy Attorneys General
300 South Spring Street, 11th Floor
Los Angeles, CA 90013

Alex Mayer, Esq.
State Water Resources Control Board
P.O. Box 100
Sacramento, CA 95812

As to the LA Regional Board:

Marilyn H. Levin
Noah Golden-Krasner
Deputy Attorneys General
300 South Spring Street, 11th Floor
Los Angeles, CA 90013

Tracy Egoscue
Executive Officer
Los Angeles Regional Water Quality Control Board
320 West 4th Street, Suite 200
Los Angeles, CA 90013

Jennifer Fordyce
Staff Counsel
State Water Resources Control Board
P.O. Box 100
Sacramento, CA 95812

As to the Central Valley Regional Board:

Marilyn H. Levin
Noah Golden-Krasner
Deputy Attorneys General
300 South Spring Street, 11th Floor
Los Angeles, CA 90013

Pamela Creedon
Executive Officer
Central Valley Regional Water Quality Control Board
11020 Sun Center Drive, Suite 200
Rancho Cordova, CA 95670

Patrick Pulupa
Staff Counsel
State Water Resources Control Board
P.O. Box 100
Sacramento, CA 95812

As to the State of Illinois:

Chief, Environmental Bureau South
Office of the Attorney General
500 South Second Street
Springfield, IL 62706

James Kropid
Illinois Environmental Protection Agency
Division of Legal Counsel
P.O. Box 19726
1021 North Grand Avenue East
Springfield, IL 62796

As to the State of Illinois Natural Resource Trustees:

Todd Rettig
Division of Ecosystems and Environment
Office of Realty and Planning
Department of Natural Resources
One Natural Resources Way
Springfield, IL 62702

As to MDE:

Horacio Tablada, Director
Land Management Administration
Maryland Department of the Environment
1800 Washington Boulevard
Baltimore, MD 21230

As to the Settling Michigan Agencies:

Polly Synk
Assistant Attorney General
Michigan Department of Attorney General
Environment, Natural Resources, and Agriculture Division
P.O. Box 30755
Lansing, MI 48909

Brian Monroe
Chief, Redevelopment and Enforcement Support Unit
Compliance and Enforcement Section
Remediation and Redevelopment Division
Michigan Department of Natural Resources and the Environment
P.O. Box 30426
Lansing, MI 48909-7926

As to NCDWM:

Bruce Parris
Western Regional Supervisor
Inactive Hazardous Sites Branch
N.C. Department of Environment and Natural Resources
610 East Center Ave., Suite 301
Mooresville, NC 28118

As to PADEP:

Manager
Waste Management
400 Waterfront Drive
Pittsburgh, PA 15222

Regional Counsel
Office of Chief Counsel
400 Waterfront Drive
Pittsburgh, PA 15222

As to TCEQ:

Staff Attorney, Petrochemical Systems, Inc. (Turtle Bayou)
Litigation Division, MC 175
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087

As to the Debtors:

Craig Glidden
General Counsel
Lyondell Chemical Company
1221 McKinney Street
Suite 700
Houston, TX 77010

As to the Environmental Custodial Trust Trustee:

The Environmental Custodial Trust
Le Petomane XXIII, Inc., not individually but
solely as Custodial Trust Trustee
35 East Wacker Drive - Suite 1550
Chicago, IL 60601

XIX. JUDICIAL APPROVAL AND OPPORTUNITY FOR PUBLIC COMMENT

49. This Settlement Agreement shall be subject to approval of the Bankruptcy Court, which approval may be granted in the same order approving the Plan of Reorganization or in a separate order. The Debtors shall promptly seek approval of this Settlement Agreement under Bankruptcy Rule 9019 or applicable provisions of the Bankruptcy Code (the “Rule 9019 Motion”).

50. This Settlement Agreement shall be lodged with the Bankruptcy Court as an exhibit to the Rule 9019 Motion, and shall thereafter be subject to a period of public comment following publication of notice of the Settlement Agreement in the *Federal Register*. The Settlement Agreement shall also be subject to public notice and comment under any applicable provision of state law. Any public comment period under state law may run concurrently with the public comment period provided for in the first sentence of this Paragraph, and any public comment period provided for in this Paragraph may run concurrently with any notice period required pursuant to Bankruptcy Rule 2002 or applicable local rule in connection with judicial approval of the Settlement Agreement pursuant to the preceding Paragraph.

51. The United States and any State taking public comment reserve the right to withdraw or withhold their consent to this Settlement Agreement if the public comments regarding it disclose facts or

considerations which indicate that it is not in the public interest. After the period for public comment, the United States and any State taking public comment will file with the Bankruptcy Court any comments received, as well as their responses to the comments. At that time, if appropriate, the United States and the States will seek approval of the Settlement Agreement.

52. If for any reason (i) the Settlement Agreement is withdrawn by the United States or any State taking public comment as provided in Paragraph 51, or (ii) the Settlement Agreement is not approved, or (iii) the Bankruptcy Cases are, in whole or in part, dismissed or converted to cases under Chapter 7 of the Bankruptcy Code before the effective date of the Plan of Reorganization, or (iv) the Court confirms the Plan without the Environmental Custodial Trust Agreement attached hereto as Exhibit B: (a) this Settlement Agreement shall be null and void and the Parties shall not be bound hereunder or under any documents executed in connection herewith; (b) the Parties shall have no liability to one another arising out of or in connection with this Settlement Agreement or under any documents executed in connection herewith; and (c) this Settlement Agreement and any documents prepared in connection herewith shall have no residual or probative effect or value, and it shall be as if they had never been executed.

XX. PLAN OF REORGANIZATION

53. Unless the United States or any State withdraws its support for the Settlement Agreement as provided in Paragraph 51, the Debtors shall not (i) amend the Plan of Reorganization in a manner inconsistent with the terms and provisions of this Settlement Agreement, (ii) take any other action in the Bankruptcy Cases that is inconsistent with the terms and provisions of this Settlement Agreement, or (iii) amend the Plan in a manner inconsistent with (or propose terms for any order confirming the Plan that are inconsistent with) Section 11.8(e) of the Plan as proposed on March 15, 2010. The Debtors shall timely serve each of the Parties to this Agreement with any motion to amend the Plan after its confirmation. The Settling Federal Agencies and the States shall not oppose any term or provision of the

Plan that is addressed by and consistent with this Settlement Agreement. The Parties reserve all other rights and defenses they may have with respect to the Plan.

XXI. AMENDMENTS/INTEGRATION AND COUNTERPARTS

54. This Settlement Agreement and any other documents to be executed in connection herewith or referred to herein shall constitute the sole and complete agreement of the Parties hereto with respect to the matters addressed herein. This Settlement Agreement may not be amended except by a writing signed by all Parties.

55. Each undersigned representative of a Party certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of such Party and bind it legally to the terms and provisions herein.

56. This Settlement Agreement may be executed in counterparts, each of which shall constitute an original, and all of which shall constitute one and the same agreement.

XXII. TCEQ

57. Notwithstanding any other provision of this Settlement Agreement, the Environmental Custodial Trust Agreement, or any Order approving this Settlement Agreement or the Environmental Custodial Trust Agreement, only the following Sections of this Settlement Agreement shall apply to TCEQ: Section III (Jurisdiction), Section IV (Parties Bound; Succession and Assignment), Section XI (Environmental Custodial Trust), Section XV (Covenant Not to Sue, Releases, and Reservation of Rights), Section XVI (Contribution Protection), Section XVIII (Notices and Submissions), Section XIX (Judicial Approval and Opportunity for Public Comment), Section XX (Plan of Reorganization), Section XXI (Amendments/Integration and Counterparts), Section XXII (TCEQ), and Section XXIII (Retention of Jurisdiction). In addition, Section I (Introduction) and Section II (Definitions) shall apply to TCEQ, but only to the extent that those Sections contain definitions of capitalized terms used in the other Sections identified in this Paragraph. TCEQ expressly reserves, and this Settlement Agreement is without prejudice

to, all TCEQ claims against the Debtors for the Many Diversified Interests Site, Malone Service Site, and French Limited Site located in Texas.

XXIII. RETENTION OF JURISDICTION

58. Except as provided in Paragraph 8 (Non-Dischargeability/Reservation Regarding Debtor-Owned/Operated Sites) and Section XII (Treatment of Additional Sites) regarding proceedings in other administrative or judicial tribunals, the Court (or, upon withdrawal of the Court's reference, the United States District Court of the Southern District of New York) shall retain jurisdiction over the subject matter of this Settlement Agreement and the Parties for the duration of the performance of the terms and provisions of this Settlement Agreement for the purpose of enabling any of the Parties to apply to the Court at any time for such further order, direction, and relief as may be necessary or appropriate for the construction or interpretation of this Settlement Agreement or to effectuate or enforce compliance with its terms.

THE UNDERSIGNED PARTIES ENTER INTO THIS SETTLEMENT AGREEMENT:

FOR THE UNITED STATES OF AMERICA:

Date:

3/26/10

By:


ROBERT DREHER
~~Principal Deputy Assistant Attorney General~~
Environment and Natural Resources Division
U.S. Department of Justice

Date:

3/29/10

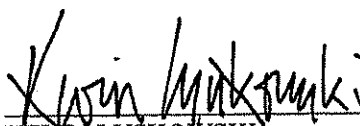
By:


PIERRE G. ARMAND
JEANNETTE A. VARGAS
ALICIA SIMMONS
BRANDON COWART
Assistant United States Attorneys
Office of the United States Attorney for the
Southern District of New York
86 Chambers Street, Third Floor
New York, NY 10007

Date:

3/29/10

By:


KEVIN LYSKOWSKI
Senior Bankruptcy Counsel
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
Ben Franklin Station
Washington, DC 20044

FOR THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY:

Date: 3/28/10

By: Cynthia Giles

CYNTHIA GILES

Assistant Administrator for the Office of Enforcement and
Compliance Assurance

U.S. Environmental Protection Agency

Date: 03/25/10

By: David Smith-Watts

DAVID SMITH-WATTS

Attorney-Advisor

U.S. Environmental Protection Agency

Ariel Rios Building

1200 Pennsylvania Avenue, NW

Washington, DC 20460

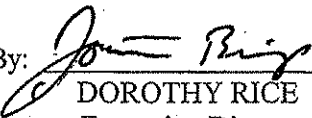
FOR THE CALIFORNIA DEPARTMENT OF TOXIC SUBSTANCES CONTROL:

Date: 3-23-2010

By: Barbara J. Cook

FOR THE CALIFORNIA STATE WATER RESOURCES CONTROL BOARD:

Date: 3/23/2010

By: 
DOROTHY RICE
Executive Director
State Water Resources Control Board

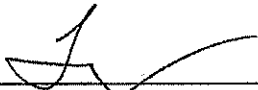
FOR THE CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD FOR THE
CENTRAL VALLEY REGION:

Date: 24 March 2010

By: Kenneth D. Landon, Assistant Executive Officer
for PAMELA CREEDON
Executive Officer
Central Valley Regional Water Quality Control Board
11020 Sun Center Drive, Suite 200
Rancho Cordova, CA 95670

FOR THE CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD FOR THE
LOS ANGELES REGION:

Date: 3/24/10

By: 

TRACY EGOSCUE

Executive Officer

Los Angeles Regional Water Quality Control Board

320 West 4th Street, Suite 200

Los Angeles, CA 90013

FOR THE STATE OF ILLINOIS, THE ILLINOIS ENVIRONMENTAL PROTECTION AGENCY, AND
THE ILLINOIS DEPARTMENT OF NATURAL RESOURCES

FOR THE STATE OF ILLINOIS

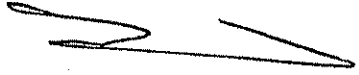
LISA MADIGAN, Attorney General of the State of Illinois

MATTHEW J. DUNN, Chief

Environmental Enforcement/Asbestos Litigation Division

Date:

3/24/10



THOMAS E. DAVIS, Chief

Environmental Bureau

Assistant Attorney General

500 South Second Street

Springfield, IL 62706

FOR THE ILLINOIS ENVIRONMENTAL PROTECTION
AGENCY

Date:

3/19/10



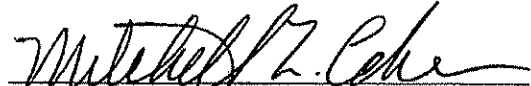
JOHN J. KIM

Chief Legal Counsel

FOR THE ILLINOIS DEPARTMENT OF NATURAL
RESOURCES

Date:

3.25.10



MITCHELL COHEN

Chief General Counsel

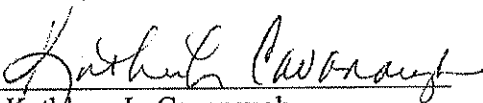
FOR THE MARYLAND DEPARTMENT OF THE ENVIRONMENT:

Date: March 25, 2010

By: 
HORACIO TABLADA
Director, Land Management Administration
Maryland Department of the Environment
1800 Washington Boulevard
Baltimore, MD 21230

**FOR THE MICHIGAN DEPARTMENT OF NATURAL RESOURCES AND THE
ENVIRONMENT**

Date: 3-25-10


By: Kathleen L. Cavanaugh
Assistant Attorney General
Michigan Department of Attorney General
ENRA Division
P.O. Box 30755
Lansing, MI 48909

FOR THE NORTH CAROLINA DIVISION OF WASTE MANAGEMENT:

Date: March 30, 2010 By: W. Wallace Finkler, Jr.

FOR THE DEPARTMENT OF ENVIRONMENTAL PROTECTION OF THE COMMONWEALTH
OF PENNSYLVANIA:

Date:

3/22/10

By:

Sam Shih

Chief Counsel

Office of Chief Counsel

FOR THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY:

Date: 3/24/10

By: 

Hal F. Morris
Assistant Attorney General
Bankruptcy & Collections Division
Office of the Texas Attorney General

FOR THE DEBTORS:

Date: March 19, 2010

By: 
SAMUEL L. SMOLIK
Vice President Health, Safety &
Environment

FOR THE ENVIRONMENTAL CUSTODIAL TRUST TRUSTEE:

Date: _____

Le Petomane XXIII, Inc., not individually but
Solely in its representative capacity as the
Environmental Custodial Trust Trustee

By:

Not individually
Jay A. Steinberg, but solely as President
Jay A. Steinberg, not individually but solely in his
representative capacity as President of the
Environmental Custodial Trust Trustee

Exhibit A	Debtors and Petition Dates
Exhibit B	Environmental Custodial Trust Agreement
Exhibit C	Additional Sites
Exhibit D	Orders, Decrees, and Permits – Transferred Real Properties
Exhibit E	Financial Assurance Instruments