

May 2, 2013

**TO: (I) HOLDERS OF GENERAL UNSECURED CLAIMS AGAINST LYONDELL CHEMICAL COMPANY AND ITS AFFILIATED DEBTORS; AND
(II) TRUST BENEFICIARIES**

**Re: *In re Lyondell Chemical Company, et al.*, Case No. 09-10023-REG
Update Of Significant Events**

As you are aware, pursuant to the plan of reorganization (the “Plan”) confirmed in respect of Lyondell Chemical Company (“Lyondell”) and certain of its affiliates (collectively, the “Debtors”), two trusts, the LB Litigation Trust and the LB Creditor Trust (together, the “Trusts”), were formed for the purpose of pursuing certain causes of action for the benefit of the beneficiaries of the Trusts (the “Beneficiaries”).¹ The purpose of this letter is to update you on the status of matters involving the Trusts and the Creditor Representative, focusing on developments since our previous status update (dated as of March 13, 2012, a copy of which can be viewed at the following website: <http://www.kccllc.net/lbtrust>).

Merger-Related Actions Prosecuted By the Trusts

Several lawsuits are being prosecuted by the Trusts asserting claims arising out of the 2007 merger (the “Merger”) of Lyondell and Basell AF S.C.A (“Basell”) to form LyondellBasell AF S.C.A. (“LBI”) (collectively, the “Merger-Related Actions”). Below is a brief overview of the principal Merger-Related Actions and the current status of each:

1. Blavatnik Action (Edward S. Weisfelner, as Trustee of the LB Litigation Trust v. Blavatnik, et al. (Adv. Pro. No. 09-01375))

- Edward S. Weisfelner, in his capacity as Trustee of the LB Litigation Trust (in such capacity, the “Litigation Trustee”) is the plaintiff in an adversary proceeding originally brought by the Official Committee of Unsecured Creditors (the “Committee”) during the Debtors’ bankruptcy cases. In this action (the “Blavatnik Action”), claims are now being prosecuted against, among others, Len Blavatnik, Access Industries Holdings LLC and its various affiliates, subsidiaries and employees (the “Access Defendants”), the former directors and officers of Lyondell, and the former Supervisory Board members of LBI.²

¹ Capitalized terms not expressly defined herein shall have the meanings ascribed to such terms in the Plan.

² As described in the Disclosure Statement relating to the Plan, the claims originally asserted in the Committee adversary proceeding against the institutions that held the debt incurred in connection with the Merger

- In September 2010, several motions to dismiss were filed by the defendants in the Blavatnik Action, and oral argument was held in March 2011. The parties are presently awaiting a decision on the motions.
- During the fall and winter of 2010/2011, the parties engaged in additional fact discovery, during which time additional documents were produced and 38 fact witnesses were deposed. During the course of this fact discovery, the Litigation Trustee learned of additional material facts that support the claims against the former directors and officers of Lyondell. Since May 2009, approximately 60 fact witnesses have been deposed in connection with the Blavatnik Action.
- During the spring and summer of 2011, the parties engaged in additional expert discovery, during which time a total of sixteen expert reports were exchanged.
- In September 2011, the parties filed six summary judgment motions (four by the defendants and two by the Litigation Trustee). Briefing on these motions was completed in November 2011. The Bankruptcy Court has not scheduled oral argument or issued any decisions on the summary judgment motions.
- In November 2011, certain defendants in the Blavatnik Action filed a motion to “withdraw the reference” of the Blavatnik Action from the Bankruptcy Court, seeking to have the Blavatnik Action proceed in the United States District Court for the Southern District of New York (the “District Court”).
- On March 29, 2012, the District Court issued an order denying the motion to withdraw the reference without prejudice to the right of the defendants to renew the motion when the Blavatnik Action is ready for trial.
- Since the issuance of the District Court’s order, the Bankruptcy Court has not issued any decision on the pending motions to dismiss, the pending motions for summary judgment, or the proposed scheduling order with respect to the Blavatnik Action. Accordingly, the timeline for the expected trial remains undetermined at this time.

2. **Federal Law Clawback Action (Edward S. Weisfelner, as Trustee of the LB Litigation Trust v. Alfred R Hoffman Charles Schwab & Co Inc Cust IRA Contributory, et al. (Adv. Pro. No. 10-05525))**

- Claims under Section 548 of the Bankruptcy Code against the former shareholders of Lyondell, which were originally included in the litigation commenced by the Committee, are now being prosecuted in a separate lawsuit by the Litigation Trustee (the “Federal Law Clawback Action”). The Federal Clawback Action seeks to recover, as fraudulent transfers, amounts paid to the former shareholders of

were settled for \$450 million (payable by the Debtors’ estates under the Plan): (i) \$300 million in cash; and (ii) \$150 million in reorganized Lyondell stock (based on the value ascribed to the stock under the Plan). This settlement, which was approved by the Bankruptcy Court on March 11, 2010, served as the basis for distributions to unsecured creditors under Plan.

Lyondell in respect of their Lyondell shares (“Merger Consideration”) upon the closing of the Merger.

- The complaint in the Federal Law Clawback Action, which was initially filed by the Litigation Trustee in December 2010, (i) names persons or institutions known to the Litigation Trustee as of December 2010 who received \$240,000 or more in Merger Consideration (i.e., who held 5,000 or more shares of Lyondell stock) and (ii) includes a request to certify a defendant class to cover all other former shareholders who, as of December 2010, were not known to the Litigation Trustee or who received less than \$240,000 in Merger Consideration (i.e., who held less than 5,000 shares).
- In April 2011, several motions to dismiss were filed by defendants. These motions to dismiss include some grounds unique to the Federal Law Clawback Action but also rely on legal arguments that were raised (and which remain unresolved) in the motions to dismiss filed in the Blavatnik Action and the State Law Clawback Action (which is discussed in more detail below).
- On July 14, 2011, the Bankruptcy Court heard oral argument on the motions to dismiss. The Bankruptcy Court (i) denied the defendants’ motions to dismiss on the asserted ground of lack of standing (a ground unique to the Federal Law Clawback Action), (ii) denied two motions to dismiss that were filed on jurisdictional grounds, and (iii) continued its ruling on the remaining issues, which issues largely overlap with those raised in the Blavatnik Action and the State Law Clawback Action. The parties are awaiting decision on the remaining issues.
- Copies of the most recent complaint filed in the Federal Law Clawback Action and the briefs relating to the motions to dismiss can be viewed at the following website: <http://www.kccllc.net/lyondellshareholderclawback>.
- No scheduling order with respect to discovery has yet been entered in this matter, and no trial date has been set.

3. State Law Clawback Action (*Edward S. Weisfelner, as Trustee of the LB Creditor Trust v. Fund 1, et al.* (Adv. Pro. No. 10-04609))

- In a separate action, Mr. Weisfelner, in his capacity as Trustee of the LB Creditor Trust (in such capacity, the “Creditor Trustee”), is seeking to recover Merger Consideration from the former shareholders of Lyondell pursuant to state law fraudulent conveyance claims (the “State Law Clawback Action”). The complaint in the State Law Clawback Action was initially filed by the Creditor Trustee in New York State Court in October 2010, but it was removed by certain defendants to the District Court (which then referred the case to the Bankruptcy Court).
- The Creditor Trustee filed a Second Amended Complaint in the State Law Clawback Action on December 19, 2011 for the purpose of naming an additional approximately 1,700 defendants (the “Second Amended Complaint”). None of the

substantive allegations contained in the original complaint were amended in the Second Amended Complaint.

- The named defendants in the Second Amended Complaint include persons or institutions known to the Creditor Trustee who received \$100,000 or more in Merger Consideration (*i.e.*, who held approximately 2,000 or more shares of Lyondell stock). In total, the State Law Clawback Action names 1,871 defendants who, collectively, received approximately \$6.3 billion in Merger Consideration.
- In January 2011, several motions to dismiss were filed by defendants. These motions were argued before the Bankruptcy Court on May 12, 2011. The parties are awaiting decision on these motions.
- In addition, on December 19, 2011, the Creditor Trustee filed a complaint in New York State Court (*Edward S. Weisfelner, as Trustee of the LB Creditor Trust v. Reichman, et al.* (Index No. 653522/2011)) (the “State Law Class Action”) pursuant to state fraudulent transfer law, asserting a defendant class action against not-yet-named Lyondell shareholders who received the Merger Consideration (primarily those shareholders who received amounts less than \$100,000).
- In March 2012, certain defendants filed an additional motion to dismiss in the State Law Clawback Action. The Bankruptcy Court has not scheduled oral argument or issued any decision on this motion.
- Copies of the Second Amended Complaint, the State Law Class Action complaint, and the briefs relating to the State Law Clawback Action motions to dismiss can be viewed at <http://www.kcellc.net/lyondellshareholderclawback>.
- No scheduling order with respect to discovery has yet been entered in this matter, and no trial date has been set.

The Trusts have entered into a number of settlements in connection with the Merger-Related Actions and continue to engage in settlement discussions with a number of defendants in those actions. The proceeds of those settlements reached to date have been reserved to partially cover already incurred, and anticipated future, costs relating to the Merger-Related Actions.

Preference Claims

Pursuant to the Plan and the Litigation Trust Agreement, the Debtors transferred certain preference claims to the Litigation Trust (the “Preference Claims”). To date, the Litigation Trustee has collected (net of fees, expenses, and the Reorganized Debtors’ share of preference recoveries) approximately \$8.8 million through settlements of the Preference Claims. With respect to those Preference Claims that have not yet been resolved, the Litigation Trustee continues to prosecute these claims through adversary proceedings filed in the Bankruptcy Court.

Status of Claims Resolution, Distributions, and Funds on Hand

- On or about the Effective Date of the Plan (i.e., April 30, 2010), the Reorganized Debtors made Plan distributions to holders of unsecured claims that were allowed as of such date out of the \$450 million (\$300 million of cash and \$150 million of stock) partial settlement of the Committee's adversary proceeding.
- In total, the Reorganized Debtors made distributions of cash and stock in the amount of approximately \$294 million (with the stock valued based on the value ascribed to the stock under the Plan – i.e., \$17.61/share), resulting in the holders of allowed unsecured claims receiving approximately 15.4% of the allowed amount of their claims (with the stock component of such distribution computed based upon Plan value).
- For claims that were not allowed as of the Effective Date, the Reorganized Debtors transferred the undistributed cash and stock to the Creditor Representative. The Creditor Representative has continued to make distributions in cash and stock of approximately 15.4% to unsecured creditors as their claims become allowed.
- In December 2012, the Creditor Representative made an additional distribution in cash and stock of approximately 1.1% to holders of allowed unsecured claims.
- Less than 50 unsecured claims (with a "filed" amount of approximately \$200 million) remain unresolved at this time. The largest among these are a group of five governmental entity claims (in the aggregate filed amount of \$170 million) that relate to alleged environmental liability arising from the use of the gasoline additive MTBE. The Reorganized Debtors estimate that these 50 still-disputed claims will ultimately be resolved in amounts significantly less than the \$200 million filed amount.
- It is anticipated that, upon resolution of the remaining disputed claims, the Creditor Representative may be able to make additional distributions to unsecured creditors, but the timing and amount of any such distributions is unknown at the present time.
- Attached hereto as Exhibit A is a summary of the cash and stock transferred to the Creditor Representative on the Effective Date, the earnings on those funds, the distributions to unsecured creditors from these funds, and the balances remaining.

Website Information

The Trusts maintain a website (<http://www.kccllc.net/lbtrust>), which serves as a vehicle to streamline and simplify information for the benefit of unsecured creditors and Beneficiaries. We encourage all creditors and Beneficiaries to visit the website from time to time for information related to ongoing matters. The website contains key Plan documents, periodic communications from the Trusts and contact information for the attorneys for the Trusts and the Creditor Representative, **BROWN RUDNICK LLP**, along with their administrator Verdolino & Lowey P.C. We also encourage all Beneficiaries to provide the Trusts with an email address

through the website to effectuate future direct and more efficient communication relating to the Trusts. Please click on the link in the Trusts' website to furnish your consent to email notification and to submit your email address.

EDWARD S. WEISFELNER, SOLELY IN HIS
CAPACITY AS MANAGER OF THE CREDITOR
REPRESENTATIVE, TRUSTEE OF THE LB
LITIGATION TRUST, AND TRUSTEE OF THE LB
CREDITOR TRUST

By his Counsel

/s/ Steven D. Pohl_____

Steven D. Pohl
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Exhibit A

Lyondell Chemical Company, et al									
Creditor Representative Distribution Summary (through May 2, 2013)									
		Cash	Stock		Total	Stock		Total	
			# of Shares	Plan Value (\$17.61/share)		# of Shares	Value @ 5/2/13 Close (\$58.90/share)		
Beginning Balance		\$ 104,451,674	2,923,500	\$ 51,483,618	\$ 155,935,292				
Additions:									
Dividend Income from LyondellBasell Shares		\$ 10,751,536	\$ -	\$ -	\$ 10,751,536				
Interest Income		\$ 15,029	\$ -	\$ -	\$ 15,029				
Subtotal		\$ 115,218,239	\$ 2,923,500	\$ 51,483,619	\$ 166,701,857				
Deductions:									
Initial Distribution paid on Allowed Claims		\$ (64,328,838)	(1,744,852)	\$ (30,727,311)	\$ (95,056,149)				
Second Distribution paid on Allowed Claims		\$ (20,485,585)	(468,107)	\$ (8,243,490)	\$ (28,729,074)				
Total Balance of Disputed Claims Fund, May 2, 2013		\$ 30,403,816	710,541	\$ 12,512,818	\$ 42,916,633	710,541	\$ 41,850,865	\$ 72,254,681	