



*United States Attorney
Southern District of New York*

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**CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER
JANICE OH
PUBLIC INFORMATION OFFICE
(212) 637-2600**

**DOJ
ANDREW AMES
(202) 514-2007**

**EPA
CATHY MILBOURN, MICK HANS
(202) 564-7849, (312) 535-5050**

**NOAA
KEELEY BELVA
(301) 713-3066**

**DOI
JULIE C. RODRIGUEZ
(202) 208-6416**

**LYONDELL CHEMICAL COMPANY TO PAY \$162 MILLION IN
BANKRUPTCY TO SETTLE ENVIRONMENTAL LIABILITIES**

PREET BHARARA, the United States Attorney for the Southern District of New York, ROBERT DREHER, the Principal Deputy Assistant Attorney General for the Justice Department's Environment and Natural Resources Division ("ENRD"), CATHERINE R. McCABE, the Principal Deputy Assistant Administrator for the Office of Enforcement and Compliance Assurance with the Environmental Protection Agency ("EPA"), DAVID M. KENNEDY, the Acting Assistant Administrator of the National Ocean Service of the National Oceanic and Atmospheric Administration ("NOAA") of the Department of Commerce, and RACHEL JACOBSON, the Principal Deputy Solicitor for the Department of the Interior ("DOI"), announced today that the United States has settled environmental claims of the EPA, the Department of Commerce, and the Department of the Interior, brought against chapter 11 debtors, LYONDELL CHEMICAL COMPANY, and its corporate affiliates ("LYONDELL"), under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA").

Under the Settlement Agreement filed late yesterday in Manhattan bankruptcy court, LYONDELL will pay approximately \$162 million in cash for the cleanup of 15 properties and sites in various states contaminated with hazardous waste. Approximately \$108.4 million will be placed in a custodial trust created by the Settlement to fund the cleanup of nine polluted properties in seven states, of which approximately \$2 million will be allocated for restoration of wildlife and habitat injured at one of the trust properties. The remaining approximately \$53.6 million will be paid to the United States to settle LYONDELL's outstanding

obligations at six toxic waste sites in five states, also known as Superfund sites. In addition, the United States will receive allowed general unsecured claims against LYONDELL collectively exceeding \$1.1 billion to settle environmental claims at certain other sites and facilities, which will be paid at a significantly reduced amount to be determined through the bankruptcy. In total, the Settlement will resolve LYONDELL'S environmental liabilities at 23 sites and facilities nationwide.

In January 2009, LYONDELL, one of the largest chemical manufacturers in the United States, filed chapter 11 petitions in the United States Bankruptcy Court for the Southern District of New York. In June and August 2009, the United States filed claims against LYONDELL in the bankruptcy seeking to recover past and future environmental cleanup costs and natural resource damages for sites presently or formerly owned or operated by LYONDELL, or where LYONDELL had disposed of hazardous waste. The United States also sought civil monetary penalties for violations of the Resource Conservation and Recovery Act ("RCRA") and the Clean Air Act.

Under the Settlement, a custodial trust will be established to take ownership and possession of nine environmentally contaminated properties owned by LYONDELL. LYONDELL must pay approximately \$108.4 million to the trust to fund the cleanup of the nine properties, plus administrative costs of the trust. The nine properties and their locations are: 1) Allied Paper Mill in Michigan; 2) Beaver Valley property in Pennsylvania; 3) Bully Hill Mine in California; 4) Charlotte property in North Carolina; 5) Excelsior Mine in California; 6) Morris Gypsum Pile property in Illinois; 7) Rising Star Mine in California; 8) Saint Helena property in Maryland; and 9) Turtle Bayou property in Texas. Approximately \$2 million will be set aside to restore and rehabilitate injured natural resources at the Allied Paper Mill.

More than half of the cleanup funds to be paid to the custodial trust concern the Allied Paper Mill property, a waste disposal area that is part of the larger Allied Paper/Portage Creek/Kalamazoo River Superfund Site in Michigan. The United States alleged in bankruptcy filings that LYONDELL's corporate predecessor operated a paper mill at that site from approximately 1954 to 1985, where it disposed of hazardous waste containing polychlorinated biphenyls (also known as PCBs) in landfills on the property. Approximately \$53.7 million of the trust funds will be dedicated to the cleanup and restoration of the Allied Paper Mill property.

The Settlement also requires LYONDELL to pay the United States approximately \$53.6 million to resolve liabilities at six Superfund sites: 1) the 68th Street Dump Site in Maryland; 2) the Allied Paper/Portage Creek/Kalamazoo River Site; 3) the Barefoot Disposal Site in Pennsylvania; 4) the Berks Landfill Site in Pennsylvania; 5) the Diamond Alkali/Lower Passaic River Study Area Site in New Jersey; and 6) the French Limited Site in Texas. Approximately \$49.5 million of these settlement funds will be allocated to cleanup work at the Allied Paper/Portage Creek/Kalamazoo River Site.

The United States' remaining claims against LYONDELL for cleanup costs, natural resource damages, and civil penalties for violations of RCRA and the Clean Air Act with respect to 13 sites and facilities, including other portions of the Allied Paper/Portage Creek/Kalamazoo River Site, will be allowed in the bankruptcy in the amount of \$1.1 billion. The United States anticipates that these claims will be paid out at a substantially reduced rate applicable to other general unsecured creditors as a function of bankruptcy law and LYONDELL's plan of reorganization.

The Settlement Agreement will be lodged with the Bankruptcy Court for a period of 15 days before its entry to provide public notice and to afford members of the public the opportunity to comment on the Settlement.

U.S. Attorney PREET BHARARA praised the efforts in the case by the Environment and Natural Resources Division of the Department of Justice, EPA, and the Departments of Commerce and Interior.

Assistant United States Attorneys PIERRE G. ARMAND, JEANNETTE A. VARGAS, ALICIA SIMMONS, and BRANDON H. COWART are in charge of the case, with KEVIN LYSKOWSKI of the Environment and Natural Resources Division of the Department of Justice.

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