

FORGENT NETWORKS INC
Form 8-K
November 30, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report:
(Date of earliest event reported)

November 22, 2006

FORGENT NETWORKS, INC.
(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

0-20008
(Commission File Number)

74-2415696
(IRS Employer
Identification No.)

108 Wild Basin Road
Austin, Texas 78746
(Address of principal executive offices and zip code)

(512) 437-2700
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).

Item 1.01 Entry into a Material Definitive Agreement

Item 2.01 Completion of Acquisition or Disposition of Assets

On November 22, 2006, Forgent Networks, Inc. entered into a definitive agreement to sell certain patents along with any related goodwill, rights and documentation to Tandberg Telecom AS. In exchange for the purchased assets, Tandberg Telecom will pay Forgent \$3,150,000. \$2,900,000 of the purchase price will be paid upon closing and the balance of \$250,000 will be held in escrow for a period of 2 years. The sale closed on November 24, 2006.

Following the sale, Forgent maintains approximately 10 patents and patent applications, including U.S. Patent No 6,285,746 (the 746 Patent), which Forgent is asserting in the U.S. District Court for the Eastern District of Texas.

SIGNATURES

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

FORGENT NETWORKS, INC.

Date: November 30, 2006

By: /s/ Jay C. Peterson
Jay C. Peterson
Chief Financial Officer

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>
Outstanding at April 30, 2010
5,639 \$ 17.61 7.0 years \$
Exercisable at April 30, 2010
\$ \$

Successor

Outstanding at May 1, 2010
5,639 \$ 17.61 7.0 years
Granted
2,222 17.67 9.4 years
Forfeited
(17) 17.61
Exercised

Outstanding at December 31, 2010
7,844 \$ 17.63 7.3 years \$ 111
Exercisable at December 31, 2010
1,132 \$ 17.61 6.3 years \$ 19

Total stock option expense was \$11 million for the eight months ended December 31, 2010, and \$19 million for the four months ended April 30, 2010. The related tax benefits were \$4 million and \$6 million for the eight months ended December 31, 2010, and four months ended April 30, 2010, respectively. As of December 31, 2010, the unrecognized compensation cost related to non-qualified stock options was \$31 million, which is expected to be recognized over a weighted-average period of 3 years.

Restricted Stock Shares On April 30, 2010, we issued restricted class A ordinary shares. The shares may not be sold or transferred until the restrictions lapse on May 14, 2014. The participants are entitled to receive dividends and have full voting rights during the restriction period.

Table of Contents**LYONDELL CHEMICAL COMPANY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Incentive and Share-Based Compensation (Continued)**

The following table summarizes restricted stock shares activity for the four months ended April 30, 2010 and the eight months ended December 31, 2010 in thousands of shares:

Predecessor	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2010		\$
Granted	1,772	17.61
Paid		
Forfeited		
Outstanding at April 30, 2010	1,772	\$ 17.61

Successor

Outstanding at May 1, 2010	1,772	\$	17.61
Granted			
Paid			
Forfeited			
Outstanding at December 31, 2010	1,772	\$	17.61

The total restricted stock shares expense was \$5 million for both the eight months ended December 31, 2010, and four months ended April 30, 2010. The related tax benefit was \$2 million for both periods. As of December 31, 2010, the unrecognized compensation cost related to restricted stock shares was \$21 million, which is expected to be recognized over a weighted-average period of 3 years.

Table of Contents**LYONDELL CHEMICAL COMPANY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Income Taxes**

The significant components of the provision for income taxes are as follows:

	Successor May 1 through December 31, 2010	January 1 through April 30, 2010	Predecessor For the Year Ended December 31, 2009 2008	
Millions of dollars				
Current:				
U.S. federal	\$ 36	\$ 12	\$ (143)	\$ (43)
Non-U.S.	41	22	2	(20)
State	12	11	16	19
Total current	89	45	(125)	(44)
Deferred:				
U.S. federal	225	(1,388)*	(1,306)	(1,022)
Non-U.S.	(8)		25	64
State	(10)	(40)*	(23)	(28)
Total deferred	207	(1,428)*	(1,304)	(986)
Provision for (benefit from) income taxes before tax effects of other comprehensive income	296	(1,383)*	(1,429)	(1,030)
Tax effects of elements of other comprehensive income:				
Pension and postretirement liabilities	(33)	13	13	(139)
Financial derivatives		59	(10)	(27)
Foreign currency translation	4	(10)	(6)	(15)
Total income tax expense in comprehensive income	\$ 267	\$ (1,321)*	\$ (1,432)	\$ (1,211)

Under the Plan of Reorganization, a substantial portion of the Company's pre-petition debt securities, revolving credit facility and other obligations was extinguished. Absent an exception, a debtor recognizes cancellation of indebtedness income (CODI) upon discharge of its outstanding indebtedness for an amount of consideration that is less than its adjusted issue price. The Internal Revenue Code of 1986, as amended (IRC), provides that a debtor in a bankruptcy case may exclude CODI from taxable income but must reduce certain of its tax attributes by the amount of any CODI realized as a result of the consummation of a plan of reorganization. The amount of CODI realized by a taxpayer is the adjusted issue price of any indebtedness discharged less the sum of (i) the amount of cash paid, (ii) the issue price of any new indebtedness issued and (iii) the fair market value of any other consideration, including equity, issued. As a result of the market value of equity upon emergence from chapter 11 bankruptcy proceedings, the estimated amount of U.S. CODI exceeded the estimated amount of the Company's (and all other members of the Company's U.S. tax affiliated group) U.S. tax attributes by approximately \$9,483* million. These estimates are subject to revision, as the

actual reduction in tax attributes does not occur until the first day of our tax year subsequent to the date of emergence, or January 1, 2011.

As a result of attribute reduction, we do not expect to retain any U.S. net operating loss carryforwards, alternative minimum tax credits or capital loss carryforwards. In addition, we expect that a substantial amount of our tax bases in depreciable assets in the U.S. will be eliminated. Accordingly, we expect that the liability for U.S. income taxes in future periods will reflect these adjustments and the estimated U.S. cash tax liabilities

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Table of Contents**LYONDELL CHEMICAL COMPANY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Income Taxes (Continued)**

for the years following 2010 will be significantly higher than in 2009 or 2010. . This situation may be somewhat postponed by the temporary bonus depreciation provisions contained in the Job Creation Act of 2010 which allow current year expensing for certain qualified asset acquisitions.

The Company recorded its adjusted taxes in the push down of fresh start accounting without adjustment for estimated charges of tax attributes that could occur from May 1, 2010 to January 1, 2011, the date of actual reduction of tax attributes. Any adjustment to our tax attributes as a result of events or transactions that occurred during the period May 1, 2010 to December 31, 2010 is reflected in the earnings of the Successor period

IRC Sections 382 and 383 provide an annual limitation with respect to the ability of a corporation to utilize its tax attributes, as well as certain built-in-losses, against future U.S. taxable income in the event of a change in ownership. The Debtors' emergence from chapter 11 bankruptcy proceedings is considered a change in ownership for purposes of IRC Section 382. The limitation under the IRC is based on the value of the corporation as of the emergence date. We do not expect that the application of these limitations will have any material affect upon our U.S. federal income tax liabilities after 2010.

The deferred tax effects of tax losses carried forward and the tax effects of temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements, are presented below:

	Successor December 31, 2010	Predecessor December 31, 2009
Millions of dollars		
Deferred tax liabilities:		
Accelerated tax depreciation	\$ 1,072*	\$ 2,869
Investments in joint venture partnerships	111	414
Other intangible assets	253	409
Inventory	592*	203
Total deferred tax liabilities	2,028*	3,895
Deferred tax assets:		
Net operating loss carryforwards		318
Employee benefit plans	418*	455
Deferred interest carryforwards	896	328
AMT credits		207
Goodwill		42
U.S. tax benefit of deferred state and non-U.S. taxes	42	107
Environmental reserves	15	549
Intangible assets		27
Other	109*	143

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Total deferred tax assets		1,480*		2,176
Deferred tax asset valuation allowances				(4)
Net deferred tax assets		1,480*		2,172
Net deferred tax liabilities	\$	548*	\$	1,723
Balance sheet classifications:				
Deferred tax assets current	\$		\$	
Deferred income liability current		315*		97
Deferred income liability long term		233*		1,626
Net deferred tax liabilities	\$	548*	\$	1,723

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Table of Contents**LYONDELL CHEMICAL COMPANY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Income Taxes (Continued)**

The application of the push-down of fresh-start accounting on May 1, 2010 resulted in the re-measurement of deferred income tax liabilities associated with the revaluation of the Company's assets and liabilities pursuant to ASC 852 (see Note 4). As a result, deferred income taxes were recorded at amounts determined in accordance with ASC 740 of \$467* million.

The individual components of the net deferred tax liabilities and assets at December 31, 2010 reflect adjustments to amounts originally disclosed which had no net effect, but resulted in a revised short term and long term balance sheet presentation.

At December 31, 2009, the Company had total tax losses carried forward, the tax benefit of which was \$318 million for which a deferred tax asset was recognized at December 31, 2009. A valuation allowance of \$4 million was established for certain state tax losses as of December 31, 2009. As of April 30, 2010 the tax benefit related to the tax loss carryforward was eliminated as a result of attribute reduction in accordance with the Internal Revenue Code, and the associated valuation allowance was reversed.

Certain income tax returns of the Company are under examination by U.S. and non-U.S. tax authorities. In many cases, these audits may result in proposed assessments by the tax authorities. We believe that our tax positions comply with applicable tax law and intend to defend our positions through appropriate administrative and judicial processes.

Tax benefits totaling \$419* million and \$19 million relating to uncertain tax positions were unrecognized as of December 31, 2010 and 2009, respectively. The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits:

	Successor May 1	Predecessor January 1	For the Year Ended	
	through December 31, 2010	through April 30, 2010	December 31, 2009	2008
Millions of dollars				
Balance at January 1	\$ 406*	\$ 19	\$ 20	\$ 12
Additions for tax positions of current year	1	373*	2	
Additions for tax positions of prior years	15	21		16
Reductions for tax positions of prior years	(3)		(3)	(5)
Discharge upon emergence from bankruptcy		(7)		
Settlements				(3)
Balance, end of period	\$ 419*	\$ 406*	\$ 19	\$ 20

The 2010, 2009 and 2008 balances, if recognized subsequent to 2010, will affect the effective tax rate. We are no longer subject to any significant income tax examination by tax authorities for years prior to 2009 in the U.S., our

principal tax jurisdiction. In addition, the Company recognized \$7 million of unrecognized tax benefits that were discharged by the bankruptcy court in the predecessor period ended April 30, 2010. The recognition of these items was recorded as reorganization expense and is not included in the income tax accrual. As a result of the uncertainties in the application of complex tax principles related to the reorganization, we recorded a reserve of \$360 million in the Predecessor period against certain deferred income tax assets. We do not expect any significant changes in the amounts of unrecognized tax benefits during the next 12 months. We recognize interest expense and penalties related to uncertain income tax positions in operating expenses. As of December 31, 2010 and 2009, the Company's accrued liability for interest expense was \$1 million and \$3 million, respectively. During the years ended December 31, 2009 and 2008, the Company accrued interest expense of \$3 million and \$3 million, respectively, and in 2008 reversed

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Table of Contents**LYONDELL CHEMICAL COMPANY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Income Taxes (Continued)**

accruals of \$4 million related to prior years as a reduction in goodwill. During the four months ended April 30, 2010, \$2 million of interest was discharged upon emergence from bankruptcy. During the eight months ended December 31, 2010 and the period ended December 31, 2009, there were no interest payments. For the year ended December 31, 2008, interest payments of \$7 million were paid in connection with various settlements.

Lyondell Chemical Company is incorporated and is resident in the United States. Since the Company's proportion of U.S. revenues, assets, operating income and associated tax provisions is significantly greater than any other single taxing jurisdiction, the reconciliation of the differences between the provision for income taxes and the statutory rate is presented on the basis of the U.S. statutory federal income tax rate of 35%. This summary is shown below:

	Successor May 1 through December 31, 2010	January 1 through April 30, 2010	Predecessor For the Year Ended December 31, 2009 2008	
Millions of dollars				
Income (loss) before income taxes:				
U.S.	\$ 919	\$ 6,178*	\$ (4,362)	\$ (8,082)
Non-U.S.	171	(200)	91	103
Total	\$ 1,090	\$ 5,978*	\$ (4,271)	\$ (7,979)
Theoretical income tax at U.S. statutory rate	\$ 382	\$ 2,092*	\$ (1,495)	\$ (2,793)
Increase (reduction) resulting from:				
IPR&D				
Impairment of goodwill				1,727
Discharge of debt and other reorganization related items	(221)	(3,842)*		
Non-deductible professional fees	3	6	54	
State income taxes, net of federal benefit	36	(63)*	(5)	(6)
Other income taxes, net of federal benefit	(5)	41	17	29
Uncertain tax position	13	387*	(1)	11
Transfer of subsidiary	88			
Other, net		(4)*	1	2
Income tax provision (benefit)	296	(1,383)*	(1,429)	(1,030)
Effective income tax rate	27.11%	(23.13)*%	33.45%	12.91%

As discussed in the Basis of Presentation section of Note 2, the Company has revised amounts previously reported for deferred income taxes. Each revised amount in this footnote has been annotated with an asterisk (*). See Note 2 for

additional information related to the revision.

The Successor period effective tax rate of 27.11% will not be indicative of our future effective tax rate due to the effect of various non-recurring items related to the reorganization of our U.S. operations.

19. Commitments and Contingencies

Commitments We have various purchase commitments for materials, supplies and services incident to the ordinary course of business, generally for quantities required for our businesses and at prevailing market

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Table of Contents**LYONDELL CHEMICAL COMPANY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. Commitments and Contingencies (Continued)**

prices. These commitments are designed to assure sources of supply and are not expected to be in excess of normal requirements.

Financial Assurance Instruments We have obtained letters of credit, performance and surety bonds and have issued financial and performance guarantees to support trade payables, potential liabilities and other obligations. Considering the frequency of claims made against the financial instruments we use to support our obligations, and the magnitude of those financial instruments in light of our current financial position, management does not expect that any claims against or draws on these instruments would have a material adverse effect on our consolidated financial statements. We have not experienced any unmanageable difficulty in obtaining the required financial assurance instruments for our current operations.

Environmental Remediation Our accrued liability for future environmental remediation costs at current and former plant sites and other remediation sites totaled \$37 million as of December 31, 2010. The accrued liabilities for individual sites range from less than \$1 million to \$37 million. The remediation expenditures are expected to occur over a number of years, and not to be concentrated in any single year. In our opinion, it is reasonably possible that losses in excess of the liabilities recorded may have been incurred. However, we cannot estimate any amount or range of such possible additional losses. New information about sites, new technology or future developments such as involvement in investigations by regulatory agencies, could require us to reassess our potential exposure related to environmental matters.

The following table summarizes the activity in the Company's accrued environmental liability included in Accrued liabilities and Other liabilities :

	Successor May 1 through December 31, 2010	Predecessor January 1 through April 30, 2010	For the Year Ended December 31, 2009
Millions of dollars			
Balance at beginning of period	\$ 33	\$ 23	\$ 194
Additional provisions	6	11	4
Amounts paid	(2)	(1)	(6)
Reclassification to Liabilities subject to compromise			(169)
Balance at end of period	\$ 37	\$ 33	\$ 23

The Debtors resolved substantially all of their liability related to third-party sites (including sites where the Debtors were subject to a Comprehensive Environmental Response, Compensation and Liability Act or similar state order to fund or perform such cleanup, such as the river and the other portions of the Kalamazoo River Superfund Site that the Debtors do not own) through creation of the Environmental Custodial Trust and agreement on allowed claim values as set forth in the Debtors' Third Amended Plan of Reorganization and Settlement Agreement Among the Debtors, the

Environmental Custodial Trust Trustee, The United States, and certain environmental agencies filed with the U.S. Bankruptcy Court on March 30, 2010 and approved by the court on April 23, 2010. Upon the Debtors' emergence from bankruptcy, certain real properties owned by the Debtors, including the Schedule III Debtors (as defined in the Plan of Reorganization), were transferred to the Environmental Custodial Trust, which now owns and is responsible for these properties. Consistent with the Debtors' settlement with the governmental agencies and its Plan of Reorganization, approximately \$170 million of cash was also used to fund the Environmental Custodial Trust and to make certain direct payments to the Environmental Protection Agency and certain state environmental agencies.

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LYONDELL CHEMICAL COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Commitments and Contingencies (Continued)

Litigation and Other Matters On April 12, 2005, BASF Corporation (BASF) filed a lawsuit in New Jersey against Lyondell Chemical asserting various claims relating to alleged breaches of a product sales contract and seeking damages in excess of \$100 million. Lyondell Chemical denied it breached the contracts. Lyondell Chemical believed the maximum refund due to BASF was \$22.5 million on such product sales and has paid such amount to BASF. On August 13, 2007, the jury returned a verdict in favor of BASF in the amount of approximately \$170 million (which includes the above \$22.5 million). On October 3, 2007, the judge determined that prejudgment interest on the verdict was \$36 million and issued a final judgment. Lyondell Chemical appealed this verdict and has posted a bond, which is collateralized by a \$200 million letter of credit.

On April 21, 2010, oral arguments related to the appeal were held and on December 28, 2010, the judgment was reversed and the case was remanded for a new trial, which will be in New Jersey state court. Based on the remaining legal and fact issues to be decided, management has estimated the reasonably possible range of loss, excluding interest, to be between \$0 and \$135 million.

Indemnification We are parties to various indemnification arrangements, including arrangements entered into in connection with acquisitions, divestitures and the formation of joint ventures. Pursuant to these arrangements, we provide indemnification to and/or receive indemnification from other parties in connection with liabilities that may arise in connection with the transactions and in connection with activities prior to completion of the transactions. These indemnification arrangements typically include provisions pertaining to third party claims relating to environmental and tax matters and various types of litigation. As of December 31, 2010, we had not accrued any significant amounts for our indemnification obligations, and we are not aware of other circumstances that would likely lead to significant future indemnification obligations. We cannot determine with certainty the potential amount of future payments under the indemnification arrangements until events arise that would trigger a liability under the arrangements.

We and our joint ventures are, from time to time, defendants in lawsuits and other commercial disputes, some of which are not covered by insurance. Many of these suits make no specific claim for relief. Although final determination of any liability and resulting financial impact with respect to any such matters cannot be ascertained with any degree of certainty, we do not believe that any ultimate uninsured liability resulting from these matters will, individually or in the aggregate, have a material adverse effect on the financial position, liquidity or results of operations of the Company.

General In our opinion, the matters discussed in this note are not expected to have a material adverse effect on the financial position or liquidity of the Company. However, the adverse resolution in any reporting period of one or more of these matters could have a material impact on our results of operations for that period, which may be mitigated by contribution or indemnification obligations of others, or by any insurance coverage that may be available.

Table of Contents**LYONDELL CHEMICAL COMPANY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****20. Stockholder s Equity (Deficit) and Non-Controlling Interests**

Accumulated Other Comprehensive Income (Loss) The components of accumulated other comprehensive income (loss) were as follows:

Millions of dollars**Successor****December 31, 2010**

Pension and postretirement liabilities	\$ (61)
Foreign currency translation	5
Unrealized gains on available-for-sale securities	
Total	\$ (56)

Predecessor**December 31, 2009**

Pension and postretirement liabilities	\$ (216)
Financial derivatives	(110)
Foreign currency translation	(13)
Total	\$ (339)

Transactions recorded in Accumulated other comprehensive income are recognized net of tax.

The unrealized gain on available-for-sale securities represents the Company s share of such gain recorded by equity investees.

Non-controlling Interest Losses attributable to non-controlling interests consisted of the following components:

	Successor		Predecessor	
	May 1	January 1	For the Year	
	through	through	Ended	
	December 31,	April 30,	December 31,	
	2010	2010	2009	2008
Millions of dollars				
Comprehensive income (loss):				
Non-controlling interests net income (loss)	\$ 7	\$ (49)	\$ 15	\$ 18

Fixed operating fees paid to Lyondell Chemical by the PO/SM II partnership		(14)		(7)		(21)		(25)
Net income (loss) attributable to non-controlling interests	\$	(7)	\$	(56)	\$	(6)	\$	(7)

21. Subsequent Events

We have evaluated subsequent events through the date the financial statements were issued.

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LYONDELLBASELL SUBHOLDINGS B.V.

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Table of Contents**CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****LYONDELLBASELL SUBHOLDINGS B.V.****CONSOLIDATED STATEMENTS OF INCOME**

	Successor	Predecessor
	May 1	January 1
	Six	
	Months	
	Ended	through
	2011	June 30,
		2010
		through
		April 30,
		2010
Millions of dollars		
Sales and other operating revenues:		
Trade	\$ 11,423	\$ 3,141
Related parties	733	197
	12,156	3,338
		6,120
Operating costs and expenses:		
Cost of sales	11,185	3,007
Selling, general and administrative expenses	253	60
Research and development expenses	58	16
	11,496	3,083
	660	255
Operating income		318
Interest expense:		
Related parties	(4)	(52)
Other	(26)	(79)
	(30)	(9)
		(131)
Interest income:		
Related parties	11	4
Other	16	1
	27	5
	5	29
Other income (expense), net		(230)
Income (loss) before equity investments, reorganization items and income taxes	662	280
Income from equity investments	123	29
Reorganization items	(2)	(2)
		246
Income before income taxes	783	307
Provision for income taxes	134	5
Net income	649	302
Net loss attributable to non-controlling interests		5

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Net income attributable to the Company	\$	649	\$	302	\$	312
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See Notes to the Consolidated Financial Statements.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****CONSOLIDATED BALANCE SHEETS**

	June 30, 2011	December 31, 2010
Millions, except shares and par value data		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,511	\$ 2,102
Restricted cash	53	11
Deposits with related parties	8	39
Accounts receivable:		
Trade, net	2,614	2,010
Related parties	343	364
Inventories	2,386	1,798
Prepaid expenses and other current assets	677	661
Total current assets	8,592	6,985
Property, plant and equipment, net	3,890	3,689
Investments and long-term receivables:		
Investment in PO joint ventures	156	146
Equity investments	1,536	1,476
Notes receivables related parties	500	500
Other investments and long-term receivables	76	60
Goodwill	346	320
Intangible assets, net	279	284
Other assets	85	85
Total assets	\$ 15,460	\$ 13,545
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 2	\$ 4
Short-term debt		
Related parties	139	209
Other	38	30
Accounts payable:		
Trade	1,463	1,074
Related parties	1,404	989
Accrued liabilities	804	878
Deferred income taxes		4
Total current liabilities	3,850	3,188
Long-term debt	302	310
Other liabilities	1,090	1,010

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Deferred income taxes	449	422
Commitment and contingencies		
Stockholders' equity:		
Common Stock, 1 par value, 50,000,000 shares authorized and 10,018,000 shares issued	13	13
Additional paid-in capital	7,794	7,792
Retained earnings	1,309	660
Accumulated other comprehensive income	640	137
Total Company share of stockholders' equity	9,756	8,602
Non-controlling interests	13	13
Total equity	9,769	8,615
Total liabilities and equity	\$ 15,460	\$ 13,545

See Notes to the Consolidated Financial Statements.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Successor		Predecessor
	Six Months Ended June 30, 2011	May 1 through June 30, 2010	January 1 through April 30, 2010
Millions of dollars			
Cash flows from operating activities:			
Net income	\$ 649	\$ 309	\$ 307
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization	193	49	158
Asset impairments	18		9
Amortization of debt-related costs	4	1	15
Inventory valuation adjustment		24	
Equity investments -			
Equity income	(123)	(29)	(84)
Distribution of earnings	107	28	18
Deferred income taxes		(28)	45
Reorganization items and fresh start accounting adjustments, net	2	2	(246)
Reorganization-related payments, net		(2)	(8)
Gain on sale of assets	(7)		
Unrealized foreign currency exchange (gain) loss	(28)	57	224
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	(437)	(71)	(600)
Inventories	(455)	17	(293)
Accounts payable	710	(298)	557
Prepaid expenses and other current assets	(77)	(21)	(55)
Other, net	(279)	470	(100)
Net cash provided by (used in) operating activities	277	508	(53)
Cash flows from investing activities:			
Expenditures for property, plant and equipment	(114)	(42)	(127)
Proceeds from disposal of assets	7		
Restricted cash	(42)		
Net advances to related party			(15)
Other		3	1
Net cash used in investing activities	(149)	(39)	(141)
Cash flows from financing activities:			
Capital contribution from LyondellBasell N.V.			2,550
Net borrowings from (repayment to) related parties	114		(1,167)

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Net borrowings on revolving credit facilities		130	38
Proceeds from short-term debt			8
Repayments of short-term debt	(1)		(17)
Repayments, net of borrowings of long-term debt	(1)		(9)
Payments of debt issuance costs			(23)
Net cash provided by financing activities	112	130	1,380
Effect of exchange rate changes on cash	168	(85)	(13)
Increase in cash and cash equivalents	408	514	1,173
Cash and cash equivalents at beginning of period	2,103	1,421	248
Cash and cash equivalents at end of period	\$ 2,511	\$ 1,935	\$ 1,421

See Notes to the Consolidated Financial Statements.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non- Controlling Interests	Comprehensive Income
Millions of dollars							
Balance, January 1, 2011	\$ 13	\$ 7,792	\$ 660	\$ 137	\$ 8,602	\$ 13	
Warrants exercised							
Shares purchased							
Share-based compensation		2			2		
Net income (loss)			649		649		\$ 649
Unrealized gain on held-for-sale securities held by equity investees				2	2		2
Changes in unrecognized employee benefits gains and losses, net of tax of \$(1)				7	7		7
Foreign currency translations, net of tax of less than \$1				494	494		494
Comprehensive income							\$ 1,152
Balance, June 30, 2011	\$ 13	\$ 7,794	\$ 1,309	\$ 640	\$ 9,756	\$ 13	

See Notes to the Consolidated Financial Statements

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

LyondellBasell Subholdings B.V. (LB Subholdings) together with its consolidated subsidiaries (collectively LB Subholdings or the Company) is a wholly owned subsidiary of LyondellBasell Industries N.V. (LyondellBasell N.V.). LB Subholdings is a manufacturer of chemicals and polymers, a refiner of light and medium weight crude oil, and a developer and licensor of technologies for the production of polymers. When we use the terms LB Subholdings, the Successor Company, the Successor, we, us, our or similar words, unless the context otherwise requires, we are referring to LB Subholdings and its subsidiaries after April 30, 2010. LB Subholdings was incorporated in The Netherlands on March 15, 2010.

On April 30, 2010 (the Emergence Date), LyondellBasell N.V. became the parent holding company of LB Subholdings and LB Subholdings became the successor parent of LyondellBasell Industries Holdings B.V. (LBIH B.V. or the Predecessor) after completion of proceedings under chapter 11 (chapter 11) of title 11 of the United States Bankruptcy Code (the U.S. Bankruptcy Code). Basell Germany Holdings GmbH, formerly an indirect wholly owned subsidiary of LyondellBasell Industries AF S.C.A. (LyondellBasell AF), together with LyondellBasell AF and 92 of its other subsidiaries, were debtors (the Debtors) in jointly administered bankruptcy cases (the Bankruptcy Cases) in the United States Bankruptcy Court in the Southern District of New York (the U.S. Bankruptcy Court). LBIH B.V. was formerly a subsidiary of LyondellBasell AF. LB Subholdings now operates, directly and indirectly, substantially the same business as LBIH B.V. As of the Emergence Date, LyondellBasell AF 's equity interests in its indirect subsidiaries terminated and LyondellBasell N.V. now owns and operates, directly and indirectly, substantially the same business as LyondellBasell AF owned and operated prior to emergence from the Bankruptcy Cases. LyondellBasell AF is no longer part of the LyondellBasell N.V. group of companies (the LyondellBasell Group).

The accompanying combined financial statements, which are unaudited and have been prepared in accordance with Accounting Standards Codification (ASC) 270, *Interim Reporting*, U.S. GAAP guidance for interim financial information, do not include all of the information and notes required by generally accepted accounting principles for complete consolidated financial statements and notes thereto for the year ended December 31, 2010. This financial information includes LB Subholdings for periods subsequent to April 30, 2010 on a basis different from, and therefore not comparable to, financial information for periods prior to the Emergence Date. To indicate the application of a different basis of accounting for the period subsequent to the Emergence Date, the financial statements and notes to the combined financial statements present separately the period prior to the Emergence Date (Predecessor) and the period after the Emergence Date (Successor). The results for interim periods are not necessarily indicative of results for the entire year. In our opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included.

2. Accounting and Reporting Changes

Comprehensive Income In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) related to ASC 220, *Comprehensive Income: Presentation of Comprehensive Income*. This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Under the ASC 220, an entity can elect to present either 1) one continuous statement of comprehensive income or 2) in two separate but consecutive statements. Under the two-statement approach, the first statement would include components of net income, which is consistent with the income statement format used today, and the second statement would include components of other comprehensive income (OCI). The ASU does not change the items that must be reported in OCI. The statement(s) would need to be presented with equal prominence as

the other primary financial statements. The ASU is effective for interim and annual periods beginning on or after December 15, 2011. Early adoption is permitted but full retrospective application is required. The adoption of this amendment will have an affect on

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Accounting and Reporting Changes (Continued)

the presentation of our Consolidated Financial Statements by inclusion of either Consolidated Statements of Other Comprehensive Income or a Consolidated Statement of Comprehensive Income.

Fair Value Measurement In May, 2011 the FASB issued new guidance related to ASC 820, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS and changes some fair value measurement principles and disclosure requirements. This guidance aligns the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities and as a result requires an entity to measure the fair value of its own equity instruments from the perspective of a market participant that holds the equity instruments as assets. This guidance also enhances disclosure requirements for recurring Level 3 fair value measurements to include quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. New disclosures on the use of nonfinancial asset measured or disclosed at fair value are required if the asset's use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed. The ASU is effective for interim and annual periods beginning on or after December 15, 2011, with early adoption prohibited. The adoption of this amendment is not expected to have a material effect on the presentation of our consolidated financial statements.

In January 2010, the FASB issued additional guidance on improving disclosures regarding fair value measurements. The guidance requires the disclosure of the amounts of, and the rationale for, significant transfers between Level 1 and Level 2 of the fair value hierarchy, as well as the rationale for transfers in or out of Level 3. In 2010, we adopted all of the amendments regarding fair value measurements except for a requirement to disclose information about purchases, sales, issuances, and settlements in the reconciliation of recurring Level 3 measurements on a gross basis. Our implementation in January 2011 of the requirement to separately disclose purchases, sales, issuances, and settlements of recurring Level 3 measurements did not have a material impact on the presentation of our consolidated financial statements.

Business Combinations In December 2010, the FASB issued guidance related to ASC Topic 805, *Business Combinations*, to clarify that if a public entity presents comparative financial statements, the entity should disclose pro-forma revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This guidance also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. This guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. Adoption of this amendment in January 2011 did not have a material effect on our consolidated financial statements.

Goodwill In December 2010, the FASB issued guidance related to ASC Topic 350, *Intangibles - Goodwill and Other*, to require a company with reporting units having a carrying amount of zero or less to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This guidance is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2010. Adoption of this

amendment in January 2011 did not have a material effect on our consolidated financial statements.

Revenue Recognition In October 2009, the FASB ratified the consensus reached by its emerging issues task force to require companies to allocate revenue in multiple-element arrangements based on the estimated

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Accounting and Reporting Changes (Continued)**

selling price of an element if vendor-specific or other third-party evidence of value is not available. The adoption of these changes, in January 2011, did not have a material effect on our consolidated financial statements.

3. Emergence from Chapter 11 Proceedings

On April 23, 2010, the U.S. Bankruptcy Court confirmed LyondellBasell AF's Third Amended and Restated Plan of Reorganization and the Debtors emerged from chapter 11 protection on April 30, 2010. The Company's charges (credits) for reorganization items were as follows:

	Successor		Predecessor
	Six Months Ended June 30, 2011	May 1 through June 30, 2010	January 1 through April 30, 2010
Millions of dollars			
Change in net assets resulting from the application of fresh-start accounting	\$ 2	\$	\$ (253)
Professional fees			3
Employee severance costs		2	
Plant closures costs			4
Total	\$ 2	\$ 2	\$ (246)

Estimated claims in the above table include adjustments made to reflect the Debtors' estimated claims to be allowed.

4. Accounts Receivable

Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, totaled \$14 million and \$12 million at June 30, 2011 and December 31, 2010, respectively.

5. Inventories

Inventories consisted of the following components:

	June 30, 2011	December 31, 2010
Millions of dollars		
Finished goods	\$ 1,695	\$ 1,442

Work-in-process	19	14
Raw materials and supplies	672	342
Total inventories	\$ 2,386	\$ 1,798

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Inventories (Continued)****6. Property, Plant, Equipment, Intangibles, and Goodwill**

Plant, Property and Equipment The components of Property, plant and equipment, at cost, and the related accumulated depreciation were as follows:

	June 30, 2011	December 31, 2010
Millions of dollars		
Land	\$ 192	\$ 177
Manufacturing facilities and equipment	3,794	3,418
Construction in progress	288	294
Total property, plant and equipment	4,274	3,889
Less accumulated depreciation	(384)	(200)
Property, plant and equipment, net	\$ 3,890	\$ 3,689

In the first six months of 2011, we recognized \$13 million of impairment charges related to the capital expenditures at the Berre refinery. Capital spending required for the operation of the Berre refinery will continue to be impaired until such time as the discounted cash flow projections for the Berre refinery are sufficient to recover the asset's carrying amount.

In July 2010, we ceased production and permanently shut down our polypropylene plant at Terni, Italy. We recognized charges of \$23 million, in cost of sales, related to plant and other closure costs in the first quarter of 2010.

Depreciation and amortization expense is summarized as follows:

	Successor	Predecessor
	Six Months Ended June 30, 2011	May 1 through June 30, 2010
		January 1 through 30-Apr -
Millions of dollars		
Property, plant and equipment	\$ 164	\$ 43
Investment in PO joint ventures	4	3
Various contracts	25	
Technology, patent and license costs		1
		6

Software costs			1	4		
Other			1			
Total depreciation and amortization	\$	193	\$	49	\$	158

Asset Retirement Obligations The liabilities recognized for all asset retirement obligations were \$109 million and \$100 million at June 30, 2011 and December 31, 2010, respectively.

Goodwill Goodwill increased from \$320 million at December 31, 2010 to \$346 million at June 30, 2011. The \$26 million change in goodwill is a result of foreign exchange translation.

7. Investment in PO Joint Ventures

We, together with Bayer AG and Bayer Corporation (collectively Bayer), each have a 50% interest in a manufacturing joint venture (the PO Joint Venture), which includes a world-scale propylene oxide

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Investment in PO Joint Ventures (Continued)**

(PO)/styrene monomer (SM) (PO/SM) plant at Maasvlakte near Rotterdam, The Netherlands. We and Bayer each are entitled to 50% of the PO and SM production at the PO Joint Venture.

Changes in the Company's investment in the PO joint venture for the six month periods ended June 30, 2011 and 2010 are summarized below:

Millions of dollars		PO Joint Ventures
<u>Successor</u>		
Investments in PO joint ventures	January 1, 2011	\$ 146
Cash contributions		2
Depreciation and amortization		(4)
Effect of exchange rate changes		12
Investments in PO joint ventures	June 30, 2011	\$ 156
Investments in PO joint ventures	May 1, 2010	\$ 149
Cash contributions		1
Depreciation and amortization		(3)
Effect of exchange rate changes		(10)
Investments in PO joint ventures	June 30, 2010	\$ 137
<u>Predecessor</u>		
Investments in PO joint ventures	January 1, 2010	\$ 389
Return of investment		(5)
Depreciation and amortization		(5)
Effect of exchange rate changes		(31)
Investments in PO joint ventures	April 30, 2010	\$ 348

8. Equity Investments

The changes in equity investments were as follows:

Successor**Predecessor**

	For the Six Months Ended June 30, 2011	May 1 through June 30, 2010	January 1 through April 30, 2010
Millions of dollars			
Beginning balance	\$ 1,476	\$ 1,421	\$ 986
Income from equity investments	123	29	84
Dividends received	(114)	(28)	(18)
Contributions to joint venture		7	19
Currency exchange effects	51	(27)	(8)
Other		5	10
Ending balance	\$ 1,536	\$ 1,407	\$ 1,073

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. Equity Investments (Continued)**

Summarized income statement information and our share for the periods for which the respective equity investments were accounted for under the equity method is set forth below:

	Successor		Predecessor	
	Six Months Ended	May 1 through	January 1 through	
	June 30, 2011	June 30, 2010	April 30, 2010	
	100%	Company Share	100%	Company Share
Millions of dollars				
Revenues	\$ 4,883	\$ 1,497	\$ 914	\$ 370
Cost of sales	(4,070)	(1,260)	(764)	(314)
Gross profit	813	237	150	56
Net operating expenses	(112)	(35)	(31)	(8)
Operating income	701	202	119	48
Interest income	6	2	2	(1)
Interest expense	(117)	(34)	(22)	(6)
Foreign currency translation	(22)	(5)	42	6
Income from equity investments	(31)	(6)	(59)	(16)
Income before income taxes	537	159	82	31
Provision for income taxes	123	36	3	2
Net income	\$ 414	\$ 123	\$ 79	\$ 29

A joint venture of ours is in default under its financing arrangement due to a delay in the start-up of its assets. The parties are currently negotiating in good faith to resolve the default and at present there is no evidence that such negotiations will not be concluded successfully or that the resolution of this matter will have a material adverse impact on our operations or liquidity.

9. Debt

Long-term loans, notes, and other long-term debt due to banks and other unrelated parties consisted of the following:

	June 30, 2011	December 31, 2010
Millions of dollars		
Guaranteed Notes, due 2027	\$ 300	\$ 300

Other	4	14
Total	304	314
Less current maturities	(2)	(4)
Long-term debt	\$ 302	\$ 310

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. Debt (Continued)**

Short-term loans, notes and other short-term debt due to banks and other unrelated parties consisted of the following:

	June 30, 2011	December 31, 2010
Millions of dollars		
Total short-term debt	\$ 38	\$ 30

Other In the six months ended June 30, 2011 amortization of debt premiums and debt issuance costs resulted in amortization expense of \$4 million that was included in interest expense in the Consolidated Statements of Income.

At June 30, 2011 and 2010, our weighted average interest rates on outstanding short-term debt were 3.8% and 3.7%, respectively.

10. Financial Instruments and Derivatives

Cash Concentration Our cash equivalents are placed in high-quality commercial paper, money market funds and time deposits with major international banks and financial institutions.

Market Risks We are exposed to market risks, such as changes in commodity pricing, currency exchange rates and interest rates. To manage the volatility related to these exposures, we selectively enter into derivative transactions pursuant to our policies. Designation of the derivatives as fair-value or cash-flow hedges is performed on a specific exposure basis. Hedge accounting may or may not be elected with respect to certain short-term exposures. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged.

Foreign Currency Rates We have significant operations in several countries of which functional currencies are primarily the U.S. dollar for U.S. operations and the Euro for operations in Europe. We enter into transactions denominated in other than our functional currency and the functional currencies of our subsidiaries and are, therefore, exposed to foreign currency risk on receivables and payables. We maintain risk management control systems intended to monitor foreign currency risk attributable to both the outstanding foreign currency balances and future commitments. The risk management control systems involve the centralization of foreign currency exposure management, the offsetting of exposures and the estimating of expected impacts of changes in foreign currency rates on our earnings. We enter into foreign currency spot, forward and swap contracts to reduce the effects of our net currency exchange exposures. At June 30, 2011, foreign currency spot, forward and swap contracts in the notional amount of \$613 million, maturing in July 2011 and May 2013, were outstanding. The fair values, based on quoted market exchange rates, resulted in net receivables of \$8 million and net payables of less than \$1 million at June 30, 2011, and net payables of \$13 million at December 31, 2010.

For forward and swap contracts that economically hedge recognized monetary assets and liabilities in foreign currencies, we do not currently apply hedge accounting. Changes in the fair value of foreign currency forward and

swap contracts are reported in the Consolidated Statements of Income and offset the currency exchange results recognized on the assets and liabilities.

Foreign Currency Gain (Loss) Other income, net, in the Consolidated Statements of Income reflected a gain of \$1 million for the six months ended June 30, 2011; a gain of \$35 million in the two months ended June 30, 2010, and a loss of \$214 million for the four months ended April 30, 2010.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Financial Instruments and Derivatives (Continued)**

The following table summarizes financial instruments outstanding as of June 30, 2011 and December 31, 2010 that are measured at fair value on a recurring basis and the bases used to determine their fair value in the consolidated balance sheets.

	Notional Amount	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Millions of dollars					
June 30, 2011:					
Assets at fair value:					
Derivatives:					
Foreign currency	\$ 165	\$ 8	\$	\$ 8	\$
Liabilities at fair value:					
Derivatives:					
Foreign currency	\$ 448	\$	\$	\$	\$
December 31, 2010:					
Liabilities at fair value:					
Derivatives:					
Foreign currency	\$ 656	\$ 13	\$	\$ 13	\$

The fair value of all non-derivative financial instruments included in current assets, including cash and cash equivalents and accounts receivable, and accounts payable, approximated the applicable carrying value due to the short maturity of those instruments.

There were no financial instruments measured on a recurring basis using Level 3 inputs during the six months ended June 30, 2011 and 2010.

The following table provides the fair value of derivative instruments and their balance sheet classifications:

	Balance Sheet Classification	June 30, 2011	December 31, 2010
Millions of dollars			

Fair Value of Derivative Instruments

Asset Derivatives

Not designated as hedges:

Foreign currency	Prepaid expenses and other current assets	\$	8	\$
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Fair Value of Derivative Instruments

Liability Derivatives

Not designated as hedges:

Foreign currency	Accrued liabilities	\$		\$	13
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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Financial Instruments and Derivatives (Continued)**

The following table summarizes the pretax effect of derivative instruments charged directly to income. There were no gains or losses on derivative instruments during the two months ended June 30, 2010:

	Effect of Financial Instruments Six Months Ended June 30, 2011			
	Gain (Loss)	Gain (Loss)	Additional Gain (Loss)	
Millions of dollars	Recognized in AOCI	Reclassified from AOCI to Income	Recognized in Income	Income Statement Classification

Successor

Derivatives not designated as hedges:

Foreign currency	\$	\$	\$ (13)	Other income (expense), net
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	January 1 through April 30, 2010			
	Gain (Loss)	Gain (Loss)	Additional Gain (Loss)	
Millions of dollars	Recognized in AOCI	Reclassified from AOCI to Income	Recognized in Income	Income Statement Classification

Predecessor

Derivatives not designated as hedges:

Foreign currency	\$	\$	\$ 8	Other income (expense), net
------------------	----	----	------	--------------------------------

The carrying value and the estimated fair value of the our non-derivative financial instruments are shown in the table below:

	June 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Millions of dollars				
Related party notes receivable	\$ 508	\$ 508	\$ 539	\$ 539
Related party short-term debt and notes payable	139	139	209	209
Third party short and long-term debt, including current maturities	344	379	344	368

The following table summarizes the bases used to measure certain liabilities at fair value which are recorded at historical cost or amortized cost, in the consolidated balance sheet:

			Fair Value Measurement		
	Carrying	Fair	Quoted	Significant	Significant
	Value	Value	prices	other	
	June 30,	June 30,	in active	observable	unobservable
	2011	2011	markets for	inputs	inputs
Millions of dollars			identical	(Level 2)	(Level 3)
			assets		
			(Level 1)		
Related party notes payable	\$ 508	\$ 508	\$	\$	\$ 508
Related party short-term debt and notes payable	\$ 139	\$ 139	\$	\$	\$ 139
Short term and long-term debt, including current maturities	344	379		379	
	\$ 483	\$ 518	\$	\$ 379	\$ 139

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Financial Instruments and Derivatives (Continued)**

For liabilities classified as Level 1, the fair value is measured using quoted prices in active markets. The total fair value is either the price of the most recent trade at the time of the market close or the official close price, as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs. For liabilities classified as Level 2, fair value is based on the price a market participant would pay for the security, adjusted for the terms specific to that asset and liability. Broker quotes were obtained from well established and recognized vendors of market data for debt valuations. The inputs for liabilities classified as Level 3 reflect our assessment of the assumptions that a market participant would use in determining the price of the asset or liability, including our liquidity risk at June 30, 2011.

The fair values of Level 3 instruments are determined using pricing data similar to that used in Level 2 financial instruments described above, and reflect adjustments for less liquid markets or longer contractual terms. For these Level 3 financial instruments, pricing data obtained from third party pricing sources is adjusted for the liquidity of the underlying over the contractual terms to develop an estimated price that market participants would use. Our valuation of these instruments considers specific contractual terms, present value concepts and other internal assumptions related to (i) contract maturities that extend beyond the periods in which quoted market prices are available; (ii) the uniqueness of the contract terms; and (iii) our creditworthiness or that of our counterparties (adjusted for collateral related to our asset positions). Based on our calculations, we expect that a significant portion of other debts will react in a generally proportionate manner to changes in the benchmark interest rate. Accordingly, these financial instruments are fair valued at par and are classified as Level 3.

11. Pension and Other Post-retirement Benefits

Net periodic pension benefits included the following cost components:

	Non-U.S. Plans		
	Successor		Predecessor
	For the Six Months Ended June 30, 2011	For the Period May 1 through June 30, 2010	For the Period January 1 through April 30, 2010
Millions of dollars			
Service cost	\$ 21	\$ 4	\$ 9
Interest cost	29	9	16
Expected return on plan assets	(23)	(5)	(9)
Settlement and curtailment loss	6		
Amortization	2		1
Net periodic benefit costs	\$ 35	\$ 8	\$ 17

Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Pension and Other Post-retirement Benefits (Continued)**

Net periodic other postretirement benefits included the following cost components:

	Non-U.S. Plans		
	Successor		Predecessor
	For the Six	For the	For the
	Months	Period	Period
	Ended	May 1	January 1
	June 30,	through	through
	2011	June 30,	April 30,
		2010	2010
Millions of dollars			
Service cost	\$ 5	\$	\$
Interest cost			1
Net periodic benefit costs	\$ 5	\$	\$ 1

The Company contributed \$2 million to its non-U.S. pension plans during the six months ended June 30, 2011.

12. Income Taxes

Our effective income tax rate for the first six months of 2011 was 17.1% resulting in tax expense of \$134 million on pretax income of \$783 million. The 2011 effective income tax rate was lower than the statutory 25% rate primarily due to the release of valuation allowances, foreign currency exchange losses, and tax exempt income related to equity joint ventures. In the 2010 Successor period, we recorded a tax expense of \$5 million, representing an effective tax rate of 1.6% on pre-tax income of \$307 million. In the four months ended April 30, 2010, the Predecessor did not record any a tax benefit or provision on pre-tax income of \$307 million. The provision for the 2010 Successor period differs from the statutory rate of 25.5% primarily due to result of tax exempt income related to equity investments and the fact that in several countries the Company generated either income with not tax provision or losses where we recorded no tax benefit due to valuation allowances on our deferred tax assets in these countries.

13. Commitments and Contingencies

Commitments We have various purchase commitments for materials, supplies and services resulting from the ordinary course of business. These commitments, which are at prevailing market prices, are generally for quantities required for the operation of our businesses and are designed to assure sources of supply not expected to be in excess of normal requirements. Our capital expenditure commitments at June 30, 2011 were in the normal course of business.

Financial Assurance Instruments We have obtained letters of credit, performance and surety bonds and have issued financial and performance guarantees to support trade payables, potential liabilities and other obligations. Considering the frequency of claims made against the financial instruments we use to support our obligations, and the magnitude of those financial instruments in light of our current financial position, management does not expect that any claims

against or draws on these instruments would have a material adverse effect on our consolidated financial statements. We have not experienced any unmanageable difficulty in obtaining the required financial assurance instruments for our current operations.

Environmental Remediation Our accrued liability for future environmental remediation costs at current and former plant sites and other remediation sites totaled \$90 million and \$70 million as of June 30, 2011 and December 31, 2010, respectively. At June 30, 2011, the accrued liabilities for individual sites range from less than \$1 million to \$39 million. The remediation expenditures are expected to occur over a number of years, and not to be concentrated in any single year. In our opinion, it is reasonably possible that losses in excess of the liabilities recorded may have been incurred. However, we cannot estimate any amount or range of such

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

possible additional losses. New information about sites, new technology or future developments such as involvement in investigations by regulatory agencies, could require us to reassess our potential exposure related to environmental matters.

The following table summarizes the activity in the Company's accrued environmental liability included in Accrued liabilities and Other liabilities :

	Successor		Predecessor
	Six	May 1	January 1
	Months	through	through
	Ended	June 30,	April 30,
	June 30,	2010	2010
	2011		
Millions of dollars			
Balance at beginning of period	\$ 70	\$ 66	\$ 66
Additional provisions	17		
Amounts paid	(3)	(1)	(1)
Foreign exchange effects	6	(10)	(5)
Balance at end of period	\$ 90	\$ 55	\$ 60

Litigation and Other Matters On December 20, 2010, one of our subsidiaries received demand letters from affiliates of Access Industries, a more than five percent shareholder of the Company. We conducted an initial investigation of the facts underlying the demand letters and engaged in discussions with Access. We requested that Access withdraw its demands with prejudice and, on January 17, 2011, Access declined to withdraw the demands, with or without prejudice.

Specifically, Access affiliates Nell Limited (Nell) and BI S.á.r.l. (BI) have demanded that LyondellBasell Industries Holdings B.V., a wholly owned subsidiary of the Company (LBIH), indemnify them and their shareholders, members, affiliates, officers, directors, employees and other related parties for all losses, including attorney's fees and expenses, arising out of a pending lawsuit styled *Edward S. Weisfelner, as Litigation Trustee of the LB Litigation Trust v, Leonard Blavatnik, et al.*, Adversary Proceeding No. 09-1375 (REG), in the United States Bankruptcy Court, Southern District of New York.

In the *Weisfelner* lawsuit, the plaintiffs seek to recover damages from numerous parties, including Nell, Access and their affiliates. The damages sought from Nell, Access and their affiliates include, among other things, the return of all amounts earned by them related to their acquisition of shares of Lyondell Chemical prior to its acquisition by Basell AF S.C.A. in December 2007, distributions by Basell AF S.C.A. to its shareholders before it acquired Lyondell Chemical, and management and transaction fees and expenses. This trial is currently scheduled for October 2011.

Nell and BI have also demanded that LBIH pay a total of \$50 million in management fees for 2009 and 2010 and that LBIH pay other unspecified amounts relating to advice purportedly given in connection with financing and other strategic transactions. Nell and BI assert that LBIH's responsibility for indemnity and the claimed fees and expenses arise out of a management agreement entered into on December 11, 2007, between Nell and Basell AF S.C.A. They assert that LBIH, as a former subsidiary of Basell AF S.C.A., is jointly and severally liable for Basell AF S.C.A.'s obligations under the agreement, notwithstanding that LBIH was not a signatory to the agreement and the liabilities of Basell AF S.C.A., which was a signatory, were discharged in the LyondellBasell bankruptcy proceedings.

On June 26, 2009, Nell filed a proof of claim in Bankruptcy Court against LyondellBasell AF (successor to Basell AF S.C.A.) seeking no less than \$723,963.65 for any and all amounts owing under the 2007 management agreement. Because there was an April 30, 2011 deadline for all debtors to file objections to

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

proofs of claims, on April 27, 2011, Lyondell Chemical filed an objection to Nell's claim and, together with LyondellBasell N.V. (successor to LyondellBasell AF) and LBIH, brought a declaratory judgment action in the Bankruptcy Court for a determination that Nell's and BI's demands are not valid. By a Joint Stipulated Order dated June 13, 2011, the declaratory judgment action is stayed pending the outcome of the *Weisfelner* lawsuit.

We do not believe that the management is in effect or that the Company, LBIH, or any other Company-affiliated entity owes any obligations under the management agreement. We intend to defend vigorously any proceedings, claims or demands that may be asserted.

We cannot at this time estimate the reasonably possible loss or range of loss that Nell, Access, or their affiliates may incur as a result of the lawsuit, and therefore we cannot at this time estimate the reasonably possible loss or range of loss that Nell, Access, or their affiliates may seek from LBIH by way of indemnity.

Indemnification We are parties to various indemnification arrangements, including arrangements entered into in connection with acquisitions, divestitures and the formation of joint ventures. Pursuant to these arrangements, we provide indemnification to and/or receive indemnification from other parties in connection with liabilities that may arise in connection with the transactions and in connection with activities prior to completion of the transactions. These indemnification arrangements typically include provisions pertaining to third party claims relating to environmental and tax matters and various types of litigation. As of June 30, 2011, we had not accrued any significant amounts for our indemnification obligations, and we are not aware of other circumstances that would likely lead to significant future indemnification obligations. We cannot determine the potential amount of future payment under the indemnification arrangements until events arise that would trigger a liability under the arrangements.

In addition, certain third parties entered into agreements with the Predecessor, LyondellBasell AF, to indemnify LyondellBasell AF for a significant portion of the potential obligations that could arise with respect to costs relating to contamination at various sites in Europe. These indemnity obligations are currently in dispute. We recognize a pretax charge of \$64 million as a change in estimate in the third quarter 2010 related to the dispute, which arose during that period.

As part of our technology licensing contracts, we give indemnifications to our licensees for liabilities arising from possible patent infringement claims with respect to proprietary licenses technology. Such indemnifications have a stated maximum amount and generally cover a period of five to ten years.

Other We have identified an agreement related to a former project in Kazakhstan under which a payment was made that raises compliance concerns under the U.S. Foreign Corrupt Practices Act (the "FCPA"). We have engaged outside counsel to investigate these activities, under the oversight of the Audit Committee of the Supervisory Board, and to evaluate internal controls and compliance policies and procedures. We made a voluntary disclosure of these matters to the U.S. Department of Justice and are cooperating fully with that agency. We cannot predict the ultimate outcome of these matters at this time since our investigations are ongoing. In this respect, we may not have conducted business in compliance with the FCPA and may not have had policies and procedures in place adequate to ensure compliance. Therefore, we cannot reasonably estimate a range of liability for any potential penalty resulting from these matters. Violations of these laws could result in criminal and civil liabilities and other forms of relief that could be material to us.

Certain of our non-U.S. subsidiaries conduct or have conducted business in countries subject to U.S. economic sanctions, including Iran. U.S. and European laws and regulations prohibit certain persons from engaging in business activities, in whole or in part, with sanctioned countries, organizations and individuals. We have made voluntary disclosure of these matters to the U.S. Treasury Department and intend to cooperate fully with that agency. The ultimate outcome of this matter cannot be predicted at this time because our investigations are ongoing. Therefore, we cannot reasonably estimate a range of liability for any potential

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13. Commitments and Contingencies (Continued)

penalty resulting from these matters. In addition, we have made the decision to cease all business with the government, entities and individuals in Iran, Syria and Sudan. We have notified our counterparties in these countries of our decision and may be subject to legal actions to enforce agreements with the counterparties. These business activities present a potential risk that could subject the Company to civil and criminal penalties as well as private legal proceedings that could be material to us. We cannot predict the ultimate outcome of this matter at this time because our investigations and withdrawal activities are ongoing.

We and our joint ventures are, from time to time, defendants in lawsuits and other commercial disputes, some of which are not covered by insurance. Many of these suits make no specific claim for relief. Although financial determination of any liability and resulting financial impact with respect to any such matters cannot be ascertained with any degree of certainty, we do not believe that any ultimate uninsured liability resulting from these matters will, individually or in the aggregate, have a material adverse effect on the financial position, liquidity or results of operations of LB Subholdings.

General In our opinion, the matters discussed in this note are not expected to have a material adverse effect on the financial position or liquidity of LB Subholdings. However, the adverse resolution in any reporting period of one or more of these matters could have a material impact on our results of operations for that period, which may be mitigated by contribution or indemnification obligations of others, or any insurance coverage that may be available.

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13. Commitments and Contingencies (Continued)

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13. Commitments and Contingencies (Continued)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: the Board of Directors and Stockholder of LyondellBasell Subholdings B.V.

In our opinion, the accompanying consolidated balance sheet as of December 31, 2010 and the related consolidated statement of income, of stockholder's equity and of cash flows for the period from May 1, 2010 through December 31, 2010 present fairly, in all material respects, the financial position of Lyondell Basell Subholdings B.V. and its subsidiaries (the Successor Company), a wholly owned subsidiary of LyondellBasell Industries N.V., at December 31, 2010 and the results of their operations and their cash flows for the period from May 1, 2010 through December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Successor Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, in 2009 LyondellBasell Industries AF S.C.A. (the Predecessor Parent), its U.S. subsidiaries and a German subsidiary (collectively the Debtors), each filed a voluntary petition with the United States Bankruptcy Court for reorganization under the provisions of Chapter 11 of the United States Bankruptcy Code. The Debtor's Third Amended and Restated Plan of Reorganization was confirmed on April 23, 2010 and the Debtors emerged from Chapter 11 protection on April 30, 2010. As of the emergence date, the Predecessor Parent's equity interests in its indirect subsidiaries terminated and LyondellBasell Industries N.V. now owns and operates, directly and indirectly, substantially the same business as the Predecessor Parent owned and operated prior to emergence from the bankruptcy cases. In connection with its emergence from bankruptcy, LyondellBasell Industries N.V. adopted fresh-start accounting on May 1, 2010 resulting in a new basis of accounting. As a result, a new basis of accounting was also recorded at LyondellBasell Subholdings B.V.

Rotterdam, 21 June 2011

PricewaterhouseCoopers Accountants N.V.

/s/ A. F. Westerman RA

A.F. Westerman RA

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13. Commitments and Contingencies (Continued)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: the Board of Directors and Stockholder of LyondellBasell Subholdings B.V.

In our opinion, the accompanying consolidated balance sheet as of December 31, 2009 and the related consolidated statements of income, of stockholder's equity and of cash flows for the period from January 1, 2010 through April 30, 2010 and for each of the years ended December 31, 2009 and 2008 present fairly, in all material respects, the financial position of the predecessor to LyondellBasell Subholdings B.V. (the Predecessor Company), a wholly owned subsidiary of LyondellBasell AF S.C.A. (the Predecessor Parent), at December 31, 2009 and the results of their operations and their cash flows for the period from January 1, 2010 through April 30, 2010 and for each of the years ended December 31, 2009 and 2008 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Predecessor Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, in 2009 the Predecessor Parent, its U.S. subsidiaries and a German subsidiary of the Predecessor Company (collectively the Debtors), filed a voluntary petition with the United States Bankruptcy Court for reorganization under the provisions of Chapter 11 of the United States Bankruptcy Code. The Debtor's Third Amended and Restated Plan of Reorganization was confirmed on April 23, 2010 and the Debtors emerged from Chapter 11 protection on April 30, 2010. As of the emergence date, the Predecessor Parent's equity interests in its indirect subsidiaries terminated and LyondellBasell Industries N.V. now owns and operates, directly and indirectly, substantially the same business as the Predecessor Parent owned and operated prior to emergence from the Bankruptcy Cases. In connection with its emergence from bankruptcy, LyondellBasell Industries N.V. adopted fresh-start accounting on May 1, 2010 resulting in a new basis of accounting. As a result, a new basis of accounting was also recorded at LyondellBasell Subholdings B.V.

Rotterdam, 21 June 2011

PricewaterhouseCoopers Accountants N.V.

/s/ A. F. Westerman RA

A.F. Westerman RA

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Table of Contents**13. Commitments and Contingencies (Continued)****LYONDELLBASELL SUBHOLDINGS B.V.****CONSOLIDATED STATEMENTS OF INCOME**

	Successor May 1 through December 31, 2010	January 1 through April 30, 2010	Predecessor For the Year Ended December 31, 2009 2008	
Millions of dollars				
Sales and other operating revenues:				
Trade	\$ 12,299	\$ 5,736	\$ 13,283	\$ 20,627
Related parties	1,192	384	1,059	1,528
	13,491	6,120	14,342	22,155
Operating costs and expenses:				
Cost of sales	12,448	5,614	13,263	21,033
Impairments	25	9	24	616
Selling, general and administrative expenses	283	139	449	591
Research and development expenses	73	40	98	128
	12,829	5,802	13,834	22,368
Operating income (loss)	662	318	508	(213)
Interest expense:				
Related parties		(52)	(192)	(204)
Other	(56)	(79)	(257)	(277)
	(56)	(131)	(449)	(481)
Interest income:				
Related parties	17	14	51	191
Other	10	6	12	52
	27	20	63	243
Other income (expense), net	8	(230)	294	36
Income (loss) before equity investments, reorganization items and income taxes				
	641	(23)	416	(415)
Income (loss) from equity investments	86	84	(145)	20
Reorganization items	(13)	246	(201)	
Income (loss) income before income taxes	714	307	70	(395)
Provision for (benefit from) income taxes	54		(66)	225
Net income (loss)	660	307	136	(620)

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Less: net (income) loss attributable to non-controlling
interest

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Net income (loss) attributable to the Company	\$	660	\$	312	\$	136	\$	(620)
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See Notes to the Consolidated Financial Statements.

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Table of Contents**13. Commitments and Contingencies (Continued)****LYONDELLBASELL SUBHOLDINGS B.V.****CONSOLIDATED BALANCE SHEETS**

Millions of dollars	Successor December 31, 2010	Predecessor December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,102	\$ 248
Accounts receivable:		
Trade, net	2,010	1,729
Related parties	364	318
Inventories	1,798	1,298
Short-term loans receivable- related parties	39	74
Prepaid expenses and other current assets	672	482
Total current assets	6,985	4,149
Property, plant and equipment, net	3,689	4,474
Investments and long-term receivables		
Investment in PO joint ventures	146	389
Equity investments	1,476	986
Notes receivable related parties	500	32
Other investments and long-term receivables	60	84
Goodwill	320	
Intangible assets, net	284	311
Other assets	85	45
Total assets	\$ 13,545	\$ 10,470
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 4	\$ 497
Short-term debt:		
Related parties	209	2,087
Other	30	1,090
Accounts payable:		
Trade	1,074	747
Related parties	989	828
Accrued liabilities	878	666
Deferred income taxes	4	98
Total current liabilities	3,188	6,013
Long-term debt	310	304

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Notes payable related parties, net		56
Other liabilities	1,010	1,138
Deferred income taxes	422	382
Commitments and contingencies		
Liabilities subject to compromise		1,258
Stockholder's equity:		
Common Stock, \$1 par value, 50,000,000 shares authorized and 10,018,000 shares issued	13	
Additional paid-in capital	7,792	1,049
Net receivables with debtor affiliates		(48)
Retained earnings	660	393
Accumulated other comprehensive income (loss)	137	(93)
Total Company share of stockholder's equity	8,602	1,301
Non-controlling interests	13	18
Total equity	8,615	1,319
Total liabilities and equity	\$ 13,545	\$ 10,470

See Notes to the Consolidated Financial Statements.

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Table of Contents**13. Commitments and Contingencies (Continued)****LYONDELLBASELL SUBHOLDINGS B.V.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Successor May 1 through December 31, 2010	January 1 through April 30, 2010	Predecessor For the Year Ended December 31, 2009 2008	
Millions of dollars				
Cash flows from operating activities:				
Net income (loss)	\$ 660	\$ 307	\$ 136	\$ (620)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	252	158	490	524
Gain on sale of assets				(19)
Asset impairments	25	9	24	616
Amortization of debt-related costs	4	15	31	15
Inventory valuation adjustment			89	143
Equity investments				
Equity (income) loss	(86)	(84)	145	(20)
Distributions of earnings	34	18	26	98
Deferred income taxes	51	45	(198)	39
Reorganization items and pushdown of fair value adjustments, net	13	(246)	201	
Reorganization-related payments, net	(10)	(8)	(51)	
Unrealized foreign currency exchange (gains) losses	8	224	(147)	(42)
Changes in assets and liabilities that provided (used) cash:				
Accounts receivable	(99)	(600)	88	303
Inventories	(72)	(293)	59	467
Accounts payable	218	557	(218)	8
Accrued interest		(2)	3	177
Prepaid expenses and other current assets	14	(53)	(99)	(106)
Other, net	150	(100)	(303)	(381)
Net cash provided by (used in) operating activities	1,162	(53)	276	1,202
Cash flows from investing activities:				
Expenditures for property, plant and equipment	(160)	(127)	(515)	(571)
Proceeds from insurance claims			120	89
Acquisition of businesses, net of cash				(932)
Advances and contributions to affiliates			(2)	(22)
Proceeds from disposal of assets				22
Net proceeds from (advances to) related parties	(14)	(15)	(61)	(622)
Short-term investments	(1)	2		

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Other	1	(1)	(1)	6
Net cash used in investing activities	(174)	(141)	(459)	(2,030)
Cash flows from financing activities:				
Capital contribution from LyondellBasell N.V.		2,550		
Net borrowings from (repayments to) related parties	86	(1,167)	180	2,373
Distribution to owners				(1,393)
Repayment of debtor-in-possession term loan facility			(6)	
Net borrowings (repayments) under revolving credit facilities	(412)	38	(130)	152
Proceeds from short-term debt	6	8	42	
Repayment of short-term debt	(8)	(17)	(29)	
Payment of debt issuance costs		(23)		
Repayment net of borrowings of long-term debt		(9)	(68)	(20)
Dividends paid				(3)
Other, net	(4)		(24)	(5)
Net cash provided by (used in) financing activities	(332)	1,380	(35)	1,104
Effect of exchange rate changes on cash	25	(13)	18	4
Increase (decrease) in cash and cash equivalents	681	1,173	(200)	280
Cash and cash equivalents at beginning of period	1,421	248	448	168
Cash and cash equivalents at end of period	\$ 2,102	\$ 1,421	\$ 248	\$ 448
Supplemental Cash Flow Information				
Cash paid for interest	\$ 22	\$ 61	\$ 296	\$ 291
Net income taxes paid	\$ 65	\$ 17	\$ 11	\$ 247

See Notes to the Consolidated Financial Statements.

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Table of Contents**13. Commitments and Contingencies (Continued)****LYONDELLBASELL SUBHOLDINGS B.V.****CONSOLIDATED STATEMENTS OF STOCKHOLDER S EQUITY**

			Accumulated					
	Common	Additional	Retained	Other	Receivables	Total	Non-	Comprehensive
	Stock	Paid-In	Earnings	Comprehensive	Related	Stockholder	Controlling	Income
		Capital	(Deficit)	Income	Parties	Equity	Interest	(Loss)
				(Loss)				
Millions of dollars								
<u>Predecessor</u>								
Balance, January 1, 2008	\$	\$ 3,252	\$ 938	\$ 292	\$	\$ 4,482	\$ 18	
Net loss			(620)			(620)		\$ (620)
Deemed dividends			(3)			(3)		
Cancellation of preference shares		(1,338)				(1,338)		
Dividend payment on preference Shares			(55)			(55)		
Derivative instruments, net of tax of \$(9)				(24)		(24)		(24)
Changes in unrecognized employee benefits gains and losses, net of tax of \$(1)				(66)		(66)		(66)
Foreign currency translation				(440)		(440)		(440)
Reclass receivables with Debtor affiliates					(48)	(48)		
Purchase price adjustments for Lyondell France Holdings acquisition		20				20		
Contra equity reclassification of receivables from related parties not settled		(826)				(826)		
Comprehensive loss								\$ (1,150)
Balance, December 31, 2008	\$	\$ 1,108	\$ 260	\$ (238)	\$ (48)	\$ 1,082	\$ 18	
Net income			136			136		\$ 136
Deemed dividends			(3)			(3)		
Derivative instruments				(8)		(8)		(8)
Unrealized gain on held-for-sale securities				4		4		4

held by equity investees									
Changes in unrecognized									
employee benefits gains									
and losses, net of tax of									
\$(1)				(23)		(23)			(23)
Foreign currency									
translation				172		172			172
Contra equity									
reclassification of									
receivables from related									
parties not settled			(59)			(59)			
Comprehensive income								\$	281
Balance, December 31,									
2009	\$	\$	1,049	\$	393	\$	(93)	\$	(48)
								\$	1,301
								\$	18

See Notes to the Consolidated Financial Statements.

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LYONDELLBASELL SUBHOLDINGS B.V.

CONSOLIDATED STATEMENTS OF STOCKHOLDER S EQUITY (Continued)

13. Commitments and Contingencies (Continued)

		Additional	Accumulated	Other	Receivables	Total	Non-	
	Common	Paid-In	Retained	Comprehensive	Related	Stockholder	Controlling	Comprehensive
	Stock	Capital	Earnings	Income	Parties	Equity	Interests	Income
			(Deficit)	(Loss)				(Loss)
Millions of dollars								
Predecessor								
Balance, December 31, 2009	\$	\$ 1,049	\$ 393	\$ (93)	\$ (48)	\$ 1,301	\$ 18	\$
Net income (loss)			312			312	(5)	307
Reversal of Related party receivables, assumed on emergence					48	48		
Elimination of predecessor: Financial derivatives, net of tax of \$(10)				(30)		(30)		(30)
Unrealized gain on held-for-sale securities held by equity investees				1		1		1
Changes in unrecognized employee benefits gains and losses, net of tax of \$11				130		130		130
Foreign currency translation				15		15		15
Financial derivatives, net of tax of \$(13)				(31)		(31)		(31)
Unrealized gain on held-for-sale securities held by equity investees				(14)		(14)		(14)
Changes in unrecognized employee benefits gains and losses, net of tax of \$(10)				(73)		(73)		(73)
Foreign currency translation				95		95		95
Comprehensive income								\$ 400
Balance, April 30, 2010		1,049	705			1,754	13	
Elimination of predecessor Additional paid-in-capital and accumulated earnings		(1,049)	(705)			(1,754)		
	\$	\$	\$	\$	\$	\$	\$ 13	

Balance, May 1, 2010,
Successor

Successor

Balance, May 1, 2010	\$	\$	\$	\$	\$	\$	\$	13
Issuance of common stock	13						13	
Additional paid-in-capital		7,789					7,789	
Share-based compensation expense		3					3	
Net income			660				660	\$ 660
Changes in unrecognized employee benefits gains and losses, net of tax of \$3				28			28	28
Foreign currency translation				109			109	109
Comprehensive income								\$ 797
Balance, December 31, 2010	\$ 13	\$ 7,792	\$ 660	\$ 137	\$	\$ 8,602	\$ 13	

See Notes to the Consolidated Financial Statements.

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13. Commitments and Contingencies (Continued)

LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. Commitments and Contingencies (Continued)

LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Company and Operations

LyondellBasell Subholdings B.V. (LBS) together with its consolidated subsidiaries (collectively LB Subholdings or the Company) is a wholly owned subsidiary of LyondellBasell Industries N.V. (LyondellBasell N.V.). LB Subholdings is a manufacturer of chemicals and polymers, a refiner of light and medium weight crude oil, and a developer and licensor of technologies for the production of polymers. When we use the terms LB Subholdings, the Successor Company, the Successor, we, us, our or similar words, unless the context otherwise requires, we are referring to LB Subholdings and its subsidiaries after April 30, 2010. LB Subholdings was incorporated in The Netherlands on March 15, 2010.

Basell Germany Holdings GmbH, formerly an indirect wholly owned subsidiary of LyondellBasell Industries AF S.C.A. (LyondellBasell AF), together with LyondellBasell AF and 92 of its other subsidiaries, were debtors (the Debtors) in jointly administered bankruptcy cases (the Bankruptcy Cases) in the United States Bankruptcy Court in the Southern District of New York (the U.S. Bankruptcy Court). After completion of proceedings under chapter 11 (chapter 11) of title 11 of the United States Bankruptcy Code (the U.S. Bankruptcy Code) on April 30, 2010 (the Emergence Date), LyondellBasell N.V. became the parent holding company of LB Subholdings and LB Subholdings became the successor parent of LyondellBasell Industries Holdings B.V. (LBIH B.V. or the Predecessor). LBIH B.V. was formerly a subsidiary of LyondellBasell AF. LB Subholdings now operates, directly and indirectly, substantially the same business as LBIH B.V. As of the Emergence Date, LyondellBasell AF's equity interests in its indirect subsidiaries terminated and LyondellBasell N.V. now owns and operates, directly and indirectly, substantially the same business as LyondellBasell AF owned and operated prior to emergence from the Bankruptcy Cases. LyondellBasell AF is no longer part of the LyondellBasell N.V. group of companies.

In December 2010, a capital contribution of \$534 million was made by LyondellBasell N.V. for the purchase of Lyondell France Holdings SAS (Lyondell France Holdings), an indirect, wholly owned subsidiary of Lyondell Chemical Company (Lyondell Chemical). LB Subholdings and its predecessor, LBIH B.V., and Lyondell Chemical have been wholly owned subsidiaries of LyondellBasell N.V. or its predecessor, LyondellBasell AF. Financial information for Lyondell France Holdings and its wholly owned subsidiary have been included, in all periods presented, in the accompanying financial statements as if the purchase had occurred on December 20, 2007, the date when Lyondell France Holdings came under common control.

2. Summary of Significant Accounting Policies

Basis of Presentation The accompanying consolidated financial statements have been prepared from the books and records of LB Subholding after April 30, 2010 and LBIH B.V. for periods up to and including that date under accounting principles generally accepted in the U.S. (U.S. GAAP). All intercompany transactions and balances have been eliminated in consolidation.

Investments in joint ventures where LB Subholdings exerts a certain level of management control, but lacks full decision making ability over all major issues, are accounted for using the equity method. Under those circumstances, the equity method is used even though LB Subholding's ownership percentage may exceed 50%.

To indicate the application of a different basis of accounting for the period subsequent to the Emergence Date, the consolidated financial statements and notes to the consolidated financial statements present separately the period prior to the Emergence Date (Predecessor) and the period after the Emergence Date (Successor). In addition, financial information for Lyondell France Holdings is included for all periods presented.

The accompanying consolidated financial statements of LB Subholdings are being provided pursuant to Rule 3-16 of the U.S. Securities and Exchange Commission's Regulation S-X to provide information about the assets of LB Subholdings that would be available to satisfy obligations related to the debt issued by Lyondell

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Chemical on April 8, 2010 should an event of default, as defined under the credit agreements, occur (see Note 14).

The Accounting Policies of LB Subholdings in the Successor period are as follows:

Fresh-Start and Push-Down Accounting Effective May 1, 2010, LyondellBasell N.V. adopted fresh-start accounting pursuant to Accounting Standards Codification Topic 852, *Reorganizations* (ASC 852). Fresh-start accounting requires LyondellBasell N.V. to allocate the reorganization value approved by the U.S. Bankruptcy Court to its individual assets and liabilities, including the assets and liabilities of LB Subholdings, based upon their estimated fair values. The determination of fair values of assets and liabilities is subject to significant estimation and assumptions. At May 1, 2010, LyondellBasell N.V. recorded its assets and liabilities at fair value except for deferred income taxes and certain liabilities associated with employee benefits which were recorded in accordance with ASC 852 and ASC Topic 740, *Income Taxes*.

On May 1, 2010, in accordance with the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin (SAB) Topic 5J, *Push Down Basis of Accounting Required in Certain Limited Circumstances*, LB Subholdings applied a new basis of accounting (push-down accounting). The estimated fair values established in the fresh-start accounting of LyondellBasell N.V. were used to determine the new basis for accounting. Accordingly, the basis of the assets and liabilities subsequent to April 30, 2010 is not comparable to the basis of assets and liabilities prior to the Emergence Date. In connection with the May 1, 2010 application of push-down accounting, LB Subholdings gave effect to reorganization adjustments and fresh-start adjustments as contemplated by the Plan of Reorganization. For additional information on fresh-start and push-down accounting, see Note 4.

Revenue Recognition Revenue from product sales is recognized at the time of transfer of title and risk of loss to the customer, which usually occurs at the time of shipment. Revenue is recognized at the time of delivery if we retain the risk of loss during shipment. For products that are shipped on a consignment basis, revenue is recognized when the customer uses the product. Costs incurred in shipping products sold are included in cost of sales. Billings to customers for shipping costs are included in sales revenue.

With respect to licensing contracts we recognize revenue on a contract-by-contract basis when we determine that we have sold our product or rendered service. For proven technologies for which we are contractually entitled to receive the vast majority of the contract value in cash at or before the date of customer acceptance, we will generally recognize revenue at the date of delivery of the process design package and the related license, provided that the undelivered items are considered inconsequential or perfunctory. Revenue for remaining perfunctory items for these contracts is recognized when the uncertainties are resolved. For contracts involving unproven process technology or post-delivery technical assistance that is not considered inconsequential or perfunctory, we recognize revenue at the date of customer acceptance up to the amount of fixed fees due at customer acceptance date. Future fixed fees for these contracts are recognized when the uncertainties are resolved. Royalties under these contracts are recognized when earned, typically based on production volume.

Research and Development Costs Research and Development (R&D) costs are expensed when incurred. Subsidies for research and development are included in Other income. Depreciation expense related to R&D assets is included as a cost of R&D. To the extent the purchase price in a business combination is allocated to in-process research and development assets, those assets are capitalized at fair value as an intangible asset with an indefinite life. When the

related R&D project is abandoned, the assets are impaired and when the related R&D project activities are completed, we make a determination of the useful lives and amortize those assets over their useful lives.

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts We establish provisions for doubtful accounts receivable based on management's estimates of amounts that we believe are unlikely to be collected. Collectability of receivables is reviewed and the allowance for doubtful accounts is adjusted at least quarterly, based on aging of specific accounts and other available information about the associated customers. Provisions for an allowance for doubtful accounts are included in selling, general and administrative expenses.

Cash and Cash Equivalents Cash equivalents consist of highly liquid debt instruments such as certificates of deposit, commercial paper and money market accounts. Cash equivalents include instruments with maturities of three months or less when acquired. Cash equivalents are stated at cost, which approximates fair value. Cash and cash equivalents exclude restricted cash. Our cash equivalents are placed in high-quality commercial paper, money market funds and time deposits with major international banks and financial institutions.

We have no requirements for compensating balances in a specific amount at a specific point in time. We maintain compensating balances for some of our banking services and products. Such balances are maintained on an average basis and are solely at our discretion.

Related party loans receivable Inter company loans are stated at historic cost plus accrued interest, if unpaid, until maturity. Recoverability is assessed periodically against the cash reserves of the counterparty.

Inventories Inventories are carried at the lower of current market value or cost. Cost is determined using the last-in, first-out (LIFO) method for raw materials, work in progress (WIP) and finished goods, and the moving average cost method for materials and supplies.

Inventory exchange transactions, which involve fungible commodities and do not involve the payment or receipt of cash, are not accounted for as purchases and sales. Any resulting volumetric exchange balances are accounted for as inventory, with cost determined using the LIFO method.

Property, Plant and Equipment Property, plant and equipment was recorded at fair value at emergence and then at cost subsequently. Depreciation is computed using the straight-line method over the estimated useful asset lives, generally up to 25 years for major manufacturing equipment, 30 years for buildings, 5 to 15 years for light equipment and instrumentation, 15 years for office furniture and 3 to 5 years for information system equipment. Upon retirement or sale, we remove the cost of the asset and the related accumulated depreciation from the accounts and reflects any resulting gain or loss in the Consolidated Statements of Income. Our policy is to capitalize interest cost incurred on debt during the construction of major projects exceeding one year.

Costs of major maintenance and repairs incurred as part of turnarounds of major units at our manufacturing facilities are deferred and amortized using the straight-line method over the period until the next planned turnaround, predominantly 4 to 7 years. These costs are necessary to maintain, extend and improve the operating capacity and efficiency rates of the production units.

Long-Lived Asset Impairment We evaluate long-lived assets, including identifiable intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When it is probable that undiscounted future cash flows will not be sufficient to recover an asset's carrying amount, the

asset is written down to its estimated fair value.

Goodwill We recorded goodwill upon application of push-down accounting (see Note 4). Goodwill is not amortized, but is tested for impairment annually during the fourth quarter, or sooner if events or changes in circumstances indicate the carrying amount may exceed fair value. Recoverability is determined by comparing the estimated fair value of a reporting unit to the carrying value, including the related goodwill, of that reporting unit. We use the present value of expected net cash flows to determine the estimated fair value

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

of the reporting units. The impairment test requires us to make cash flow assumptions including, among other things, future margins, volumes, operating costs, capital expenditures, growth rates and discount rates. Our assumptions regarding future margins and volumes require significant judgment as actual margins and volumes have fluctuated in the past and will likely continue to do so.

Identifiable Intangible Assets Costs to purchase and to develop software for internal use are deferred and amortized over periods of 3 to 10 years. Other intangible assets were stated at fair value at emergence and carried at cost or amortized cost subsequently. Such assets primarily consist of emission allowances, various contracts, and in-process research and development. These assets are amortized using the straight-line method over their estimated useful lives or over the term of the related agreement, if shorter.

Environmental Remediation Costs Anticipated expenditures related to investigation and remediation of contaminated sites, which include current and former plant sites and other remediation sites, are accrued when it is probable a liability has been incurred and the amount of the liability can reasonably be estimated. Only ongoing operating and monitoring costs, the timing of which can be determined with reasonable certainty, are discounted to present value. Future legal costs associated with such matters, which generally are not estimable, are not included in these liabilities.

Legal Costs We expense legal costs, including those incurred in connection with loss contingencies, as incurred.

Income Taxes Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the net tax effects of net operating loss carryforwards. Valuation allowances are provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

We recognize the financial statement effects of an uncertain income tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. We accrue for other tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated.

Liabilities Subject to Compromise Pursuant to U.S. GAAP, certain pre-petition liabilities of the Debtor have been reclassified as of December 31, 2009, to long-term liabilities on the accompanying consolidated balance sheet as liabilities subject to compromise (see Note 3). Liabilities subject to compromise included the Debtor's long-term debt that was considered undersecured. Liabilities subject to compromise were distinguished from pre-petition liabilities of the Debtor estimated to be fully secured, post-petition liabilities of the Debtor and liabilities of the non-Debtors for all of which the balance sheet classification was unchanged.

Stock-Based Compensation The Company grants stock-based compensation awards that vest over a specified period or upon employees meeting certain service criteria. The fair value of equity instruments issued to employees is measured on the grant date and is recognized over the vesting period.

Non-controlling interests Non-controlling interests represent the interests of a subsidiary owning an equity investment in the Al-Waha Petrochemicals Ltd. joint venture.

Foreign Currency Translation Our reporting currency for the accompanying financial statements is the U.S. dollar. We have significant operations in several countries of which functional currencies are primarily the Euro.

Adjustments resulting from the process of translating foreign functional currency financial statements are included in Accumulated other comprehensive income (loss) in Stockholder's equity. Foreign currency transaction gains and losses are included in current earnings.

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Financial Instruments and Derivatives We selectively enter into derivative transactions to manage volatility related to market risks associated with changes in commodity pricing, currency exchange rates and interest rates. We categorize assets and liabilities, measured at fair value, into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or our assumptions about pricing by market participants. For a discussion of our policies related to financial instruments and derivatives, see Note 16.

Use of Estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Classification Our consolidated financial statements classify precious metals and catalysts as components of Property, plant and equipment. Catalysts and precious metals were previously reported by the Predecessor as Intangible assets and Other assets, respectively. Debt issuance costs, which were previously reported as Intangible assets, net, by the Predecessor, are classified as Other assets by the Successor.

The accounting policies in the Predecessor period were the same as for the Successor period except as follows:

Inventories Inventories are carried at the lower of current market value or cost. Cost was determined using the FIFO method. The average cost method was used for materials and supplies.

New Accounting Standards

Fair Value Measurement In May 2011, the Financial Accounting Standards Board (FASB) issued new guidance related to Accounting Standards Codification (ASC) 820, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS and changes some fair value measurement principles and disclosure requirements. This guidance aligns the fair value measurement of instruments classified within an entity's shareholders equity with the guidance for liabilities and as a result requires an entity to measure the fair value of its own equity instruments from the perspective of a market participant that holds the equity instruments as assets. This guidance also enhances disclosure requirements for recurring Level 3 fair value measurements to include quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. New disclosures on the use of a nonfinancial asset measured or disclosed at fair value are required if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed. The Accounting Standards Update (ASU) is effective for interim and annual periods beginning on or after December 15, 2011, with early adoption prohibited. The adoption of this amendment is not expected to have a material effect on our consolidated financial statements.

In January 2010, the FASB issued additional guidance on improving disclosures regarding fair value measurements. The guidance requires the disclosure of the amounts of, and the rationale for, significant transfers between Level 1 and Level 2 of the fair value hierarchy, as well as the rationale for transfers in or out of Level 3. We have adopted all of the amendments regarding fair value measurements except for a

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

requirement to disclose information about purchases, sales, issuances, and settlements in the reconciliation of recurring Level 3 measurements on a gross basis. The requirement to separately disclose purchases, sales, issuances, and settlements of recurring Level 3 measurements, beginning in 2011, will not have a material impact on our consolidated financial statements.

Business Combinations In December 2010, the FASB issued guidance related to ASC Topic 805, *Business Combinations*, to clarify that if a public entity presents comparative financial statements, the entity should disclose pro-forma revenue and earnings of the consolidated entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This guidance also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. This guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. Adoption of this amendment is not expected to have a material effect on our consolidated financial statements.

Goodwill In December 2010, the FASB issued guidance related to ASC Topic 350, *Intangibles Goodwill and Other*, to require a company with reporting units having a carrying amount of zero or less to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This guidance is effective for fiscal years, and interim periods within those years, beginning December 15, 2010. Early adoption is not permitted. Adoption of this amendment is not expected to have a material effect on our consolidated financial statements.

Pension and Other Post Retirement Benefits In September 2010, the FASB issued guidance related to ASC Topic 962, *Plan Accounting Defined Contribution Pension Plans*, to clarify how loans to participants should be classified and measured by defined contribution pension benefit plans. The guidance requires that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance, plus any accrued but unpaid interest. This guidance is effective for fiscal years ending after December 15, 2010, and should be applied retrospectively to all prior periods presented. Early adoption is permitted. Adoption of this amendment is not expected to have a material effect on our consolidated financial statements.

Revenue Recognition In April 2010, the FASB issued additional guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. Under this guidance, a vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. Our adoption of this amendment effective July 1, 2010 did not have a material effect on our consolidated financial statements.

In October 2009, the FASB ratified the consensus reached by its emerging issues task force to require companies to allocate revenue in multiple-element arrangements based on the estimated selling price of an element if vendor-specific or other third-party evidence of value is not available. The adoption of these changes, in January 2011, will not have material effect on our consolidated financial statements.

Income Taxes In April 2010, the FASB issued additional guidance on accounting for certain tax effects of the 2010 Health Care Reforms Act. The guidance requires entities to recognize the impact of changes in tax law in continuing

operations in the Consolidated Statement of Income for the period that includes the enactment date. The adoption of these changes in March 2010 did not have a material effect on the Company's consolidated financial statements.

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Transfer and Servicing In June 2009, the FASB revised the requirements for accounting for transfers of financial assets. These revisions eliminate the concept of a qualifying special-purpose entity, change the requirements for de-recognizing financial assets, and require additional disclosures regarding transfers of financial assets, securitization transactions, and exposures to risks related to transferred financial assets. These changes were effective for the Company beginning in 2010. The adoption of these changes did not have a material effect on the Company's consolidated financial statements.

3. Emergence from Chapter 11 Proceedings

On April 23, 2010, the U.S. Bankruptcy Court confirmed the Debtors' Third Amended and Restated Plan of Reorganization. The Debtors, including Basell Germany Holdings GmbH, the only Debtor subsidiary of LBIH B.V., emerged from chapter 11 protection on April 30, 2010.

As a result of the emergence from chapter 11 proceedings, certain prepetition liabilities against the Debtors were discharged to the extent set forth in the Plan of Reorganization and otherwise applicable law and the Debtors were permitted to make distributions to their creditors in accordance with the terms of the Plan of Reorganization.

Pursuant to the Plan of Reorganization, the lenders of certain DIP loans, which represented a dollar-for-dollar roll-up or conversion of previously outstanding senior secured loans ("DIP Roll-up Notes"), received new 11% senior secured third lien notes due 2018 from another indirect, wholly owned subsidiary of LyondellBasell N.V. in the same principal amount as the DIP Roll-up Notes.

Liabilities Subject to Compromise Certain prepetition liabilities subject to compromise of Germany Holdings were reported at the expected allowed amount, even if they could potentially have been settled for lesser amounts in accordance with the terms of the Plan of Reorganization. The total amount to be paid by the Debtors, including Germany Holdings, to settle claims is fixed under the Plan of Reorganization. As a result, liabilities subject to compromise at April 30, 2010, have been effectively resolved at the Emergence Date.

Liabilities subject to compromise at April 30, 2010 and December 31, 2009 comprises \$1,258 million outstanding under the \$1,300 million Term Loan B facility due 2014. Pursuant to the Plan of Reorganization, holders of Term Loan B facility received LyondellBasell N.V. class A ordinary shares.

Reorganization Items Reorganization items, including professional advisory fees and other costs directly associated with our reorganization, recognized by the Debtors since the January 6, 2009 bankruptcy are classified as Reorganization items on the Consolidated Statements of Income.

Post-emergence reorganization items are primarily related to professional fees associated with claim settlements, plan implementation and other transition costs attributable to the reorganization. Pre-emergence reorganization items include provisions and adjustments to record the carrying value of certain pre-petition liabilities at their estimated allowable claim amounts, as well as the costs incurred by non-Debtor companies as a result of the Debtors' chapter 11 proceedings.

Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Emergence from Chapter 11 Proceedings (Continued)**

The Company's charges for reorganization items, including charges recognized by the Debtors, were as follows:

	Successor	Predecessor	
	May 1 through December 31, 2010	January 1 through April 30, 2010	For the Year Ended December 31, 2009
Millions of dollars			
Change in net assets resulting from the application of fresh-start accounting	\$	\$ (253)	\$
Accelerated amortization of debt issuance costs			69
Professional fees	13	3	4
Employee severance costs			119
Plant closures costs		4	8
Other			1
Total	\$ 13	\$ (246)	\$ 201

4. Push-Down Accounting

In April 2010, the U.S. Bankruptcy Court approved the total reorganization enterprise value on a cash-free and debt-free basis for consolidated LyondellBasell AF at approximately \$14.2 billion to \$16.2 billion, with a midpoint of \$15.2 billion. The Plan of Reorganization, which was confirmed and approved by the U.S. Bankruptcy Court on April 23, 2010, without objection by any third party, adopted the midpoint of \$15.2 billion as the reorganization value used to calculate and settle claims. As of May 1, 2010, LyondellBasell N.V. applied fresh-start accounting pursuant to ASC 852.

Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Push-Down Accounting (Continued)**

Push-down accounting requires us to allocate the reorganization value of LyondellBasell AF, approved by the U.S. Bankruptcy Court, to the individual assets and liabilities of LB Subholdings based upon their estimated fair values. The determination of fair values of assets and liabilities is subject to significant estimation and assumptions. The following balance sheet information illustrates the financial effects as of May 1, 2010 of implementing the Plan of Reorganization and the adoption of fresh-start and push down accounting. Adjustments recorded to the Predecessor balance sheet, resulting from the consummation of the Plan of Reorganization and the adoption of push-down accounting, are summarized below.

CONSOLIDATED BALANCE SHEET

	Predecessor LBIH B.V.	Reorganization Adjustments	Push-down Adjustments	Successor LB Subholdings
Millions of dollars				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 332	\$ 1,089 a	\$	\$ 1,421
Deposits with related parties	63	(63) b		
Accounts receivable:				
Trade, net	1,978		(38)	1,940
Related parties	382		(9)	373
Inventories	1,497		206 f	1,703
Prepaid expenses and other current assets	530	(2)	3	531
Total current assets	4,782	1,024	162	5,968
Property, plant and equipment, net	4,118		(462) g	3,656
Investments and long-term receivables:				
Long-term loans receivable related parties	8	522 b		530
Investments in PO joint ventures	348		(199) h	149
Equity investments	1,073		348 i	1,421
Other investments and long-term receivables	87		(41) i	46
Goodwill			316 j	316
Intangible assets, net	261		77 k	338
Other assets	9	21	9	39
Total assets	\$ 10,686	\$ 1,567	\$ 210	\$ 12,463

Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Push-Down Accounting (Continued)****CONSOLIDATED BALANCE SHEET (Continued)**

	Predecessor	Reorganization	Push-down	Successor
	LBIH B.V.	Adjustments	Adjustments	LB Subholdings
Millions of dollars				
LIABILITIES AND EQUITY				
Liabilities not subject to compromise				
Current liabilities:				
Current maturities of long-term debt	\$ 485	\$ (485) c	\$	\$
Short-term debt				
Related Parties	2,314	(2,191) b		123
Other	1,087	(637) c		450
Accounts payable:				
Trade, net	881			881
Related parties	931	(5)		926
Accrued liabilities	582		(12)	570
Deferred income taxes	88		(88) l	
Total current liabilities	6,368	(3,318)	(100)	2,950
Long-term debt	304			304
Notes payable related parties	56	(56) b		
Other liabilities	1,129		(155) m	974
Deferred income taxes	303	(125) l	215l	393
Commitments and contingencies				
Liabilities subject to compromise	1,258	(1,258) d		
Stockholder's equity:				
Common Stock, \$1 par value, 50,000,000 shares authorized and 10,018,000 shares issued		13		13
Additional paid-in capital		7,816 e		7,816
Predecessor additional paid-in capital	1,049	(1,049) e		
Retained earnings	356	(495) n	139 n	
Accumulated other comprehensive income (loss)	(155)	39 e	116 e	
Total stockholder's equity	1,250	6,324	255	7,829
Non-controlling interests	18		(5) o	13

Total equity	1,268	6,324	250	7,842
Total liabilities and equity	\$ 10,686	\$ 1,567	\$ 210	\$ 12,463

Reorganization and Push-Down Accounting Adjustments

Reorganization

a. *Cash and cash equivalents* The adjustments to cash and cash equivalents represent net cash inflows, after giving effect to transactions pursuant to the Plan of Reorganization, including proceeds from the issuance of new related party notes, and payments relating to the discharge of debts and other liabilities subject to compromise.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Push-Down Accounting (Continued)****CONSOLIDATED BALANCE SHEET (Continued)**

b. *Related party loans* The adjustment primarily reflects \$500 million loan provided to a subsidiary of LyondellBasell N.V., repayment of \$860 million Short-term related party debts, repurchase and cancellation of \$1,461 Short-term related party debt and discharge of \$885 million Short-term related party receivables classified as Contra equity, see Note 7.

c. *Debt* The changes in debt are summarized below.

Millions of dollars**Current maturities of senior secured credit facility was settled with LyondellBasell N.V. class A ordinary shares**

Senior secured credit facility:

Term Loan A due 2013, Dutch tranche	\$ (322)
\$1,000 million revolving credit facility	(163)
	\$ (485)

Repayment of Debtor-in-Possession Credit Agreements

Term Loan facility due 2010:

Roll-up Loans Senior Secured Credit Facility	\$ (637)
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d. *Liabilities subject to compromise* The adjustment to liabilities subject to compromise reflects the discharge of Liabilities subject to compromise through a series of transactions involving liabilities, contribution to the Company of class A ordinary shares of LyondellBasell N.V. and subsequent issuance of those shares by the Company and cash. . The table below summarizes the discharge of debt:

Millions of dollars

Liabilities subject to compromise	\$ 1,258
Current maturities of senior secured credit facility	485
	1,743
Issuance by the Company of LyondellBasell N.V. class A ordinary shares	(1,743)
Gain on discharge of liabilities subject to compromise	\$

e. *Equity* Movement reflects capital contribution from LyondellBasell N.V. and the elimination of Predecessor common stock, capital surplus and accumulated earnings.

Push-Down Accounting

In applying push-down accounting at May 1, 2010, we recorded the assets acquired and the liabilities assumed from our Predecessor at fair value, except for deferred income taxes and certain liabilities associated with employee benefits, which were recorded in accordance with ASC 852 and ASC 740. The significant assumptions related to the valuations of our assets and liabilities recorded in connection with push-down accounting are discussed herein. All valuation inputs, with the exception of the calculation of crude oil related raw material inventories, are considered to be Level 3 inputs, as they are based on significant inputs that are not observable in the market. Crude oil related raw material inventories were valued using a combination of Level 1 and Level 2 inputs depending on the availability of publicly available quoted market prices. For additional information on Level 1, Level 2 and Level 3 inputs, see Note 2.

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Push-Down Accounting (Continued)

f. *Inventory* We recorded Inventory at its fair value of \$1,703 million, which was determined as follows:

Finished goods were valued based on the estimated selling price of finished goods on hand less costs to sell, including disposal and holding period costs, and a reasonable profit margin on the selling and disposal effort for each specific category of finished goods being evaluated;

Work in process was valued based on the estimated selling price once completed less total costs to complete the manufacturing process, costs to sell including disposal and holding period costs, a reasonable profit margin on the remaining manufacturing, selling, and disposal effort; and

Raw materials were valued based on current replacement cost.

Compared to amounts recorded by our predecessor, finished goods increased by \$201 million, raw materials increased by \$1 million and other inventories increased by \$4 million.

g. *Property, Plant and Equipment* We recorded Property, plant and equipment, which includes land, buildings and equipment, furniture and fixtures and construction in progress, at its fair value. Fair value was based on the highest and best use of the assets. Two approaches were considered and applied to determine fair value:

The market, sales comparison or trended cost approach was utilized for land, buildings and land improvements. This approach relies upon recent sales, offerings of similar assets or a specific inflationary adjustment to original purchase price to arrive at a probable selling price. Certain adjustments were made to reconcile differences in attributes between the comparable sales and the appraised assets.

The cost approach was utilized for certain assets primarily consisting of machinery and equipment. This approach considers the amount required to construct or purchase a new asset of equal utility at current prices, with adjustments in value for physical deterioration, and functional and economic obsolescence. The machinery and equipment amounts determined under the cost approach were adjusted for functional obsolescence, which represents a loss in value due to unfavorable external conditions such as the facilities locality, comparative inherent technology and comparative energy efficiency. Physical deterioration is an adjustment made in the cost approach to reflect the real operating age of any individual asset. The estimated economic obsolescence is the difference between the discounted cash flows (income approach) expected to be realized from utilization of the assets as a group, compared to the initial estimate of value from the cost approach method. In the analysis, the lower of the income approach and cost approach was used to determine the fair value of machinery and equipment in each reporting segment. Where the value per reportable segment, using the income approach, exceeded the value of machinery and equipment plus separately identifiable intangible assets, goodwill was generated.

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Push-Down Accounting (Continued)

The following table summarizes the components of Property, plant and equipment, net, at April 30, 2010, and reflects the application of push-down accounting at May 1, 2010:

	Successor May 1, 2010	Predecessor April 30, 2010
Millions of dollars		
Land	\$ 176	\$ 160
Manufacturing facilities and equipment	2,997	3,198
Construction in progress	483	760
Total property, plant and equipment, net	\$ 3,656	\$ 4,118

There was no impairment of our assets during the predecessor period because undiscounted cash flows exceeded their carrying values.

h. *Investments in Propylene Oxide (PO) Joint Ventures* Investments in PO Joint Ventures were valued using the techniques described above to value Property, plant and equipment. The equity ownership reflects the direct proportional share of the property, plant and equipment of the PO Joint Ventures. The fair value of the Company's equity interests in PO Joint Ventures is \$149 million.

i. *Equity Investments and Other Investments and Long-term Receivables* Our equity in the net assets of our nonconsolidated affiliates was recorded at fair value of \$1,467 million determined using discounted cash flow analyses, and included the following assumptions and estimates:

Forecasted cash flows, which incorporate projections of sales volumes, revenues, variable costs, fixed costs, other income and costs, and capital expenditures, after considering potential changes in unconsolidated affiliates portfolio and local market conditions;

A terminal value calculated for investments and long-term receivables with forecasted cash flows, not limited by contractual terms or the estimated life of the main investment asset, by assuming a maintainable level of after-tax debt-free cash flow multiplied by a capitalization factor reflecting the investor's WACC adjusted for the estimated long-term perpetual growth rate; and

A discount rate ranging from 11% to 15% that considered various factors, including market and country risk premiums and tax rates to determine the investor's WACC given the assumed capital structure of comparable companies.

The aggregate fair value of equity in net assets of nonconsolidated affiliates accounted for using the equity method was \$1,421 million.

j. *Goodwill* We recorded goodwill of \$316 million, primarily resulting from the requirement to record the tax effect of the differences for the tax and book basis of the Company's assets and liabilities.

k. *Intangible Assets* We recorded Intangible assets at their fair values of \$338 million. The following is a summary of the approaches used to determine the fair value of significant intangible assets:

We recorded the fair value of developed proprietary technology licensing and catalyst contracts of \$204 million using an excess earnings methodology. Significant assumptions used in the calculation included:

Forecasted contractual income (fees generated) for each license technology category less directly attributable marketing as well as research and development costs;

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Push-Down Accounting (Continued)

Discount rates of 17% based on the WACC adjusted for perceived business risks related to the developed technologies; and

Economic lives estimated from 4 to 9 years.

We recorded the fair value of \$132 million for In-process-research and development at the cost incurred to date adjusted for the probability of future marketability.

In addition we recorded the fair value of Emissions allowances of \$2 million.

l. Deferred Income Taxes, Current and Non-current The application of push-down accounting on May 1, 2010 resulted in the remeasurement of deferred income tax liabilities associated with the revaluation of the Company's assets and liabilities pursuant to ASC 852. Deferred income taxes were recorded at amounts determined in accordance with ASC 740.

m. Other Liabilities The adjustment in accrued liabilities is primarily a result of the revaluation of deferred revenues based on discounted net cash outflows.

n. Retained Earnings The changes to retained earnings reflect our revaluation of the assets and liabilities and reorganization adjustments under the Plan of Reorganization.

o. Non-controlling Interests We recorded the fair value of non-controlling interests which resulted in a decrease of \$5 million.

5. Business Acquisitions and Dispositions

In December 2010, a \$534 million capital contribution from LyondellBasell N.V. was made for the purchase of Lyondell France Holdings SAS, an indirect, wholly owned subsidiary of Lyondell Chemical Company. LB Subholdings and its predecessor, LBIH B.V., and Lyondell Chemical have been wholly owned subsidiaries of LyondellBasell N.V. or its predecessor, LyondellBasell AF. Financial information for Lyondell France Holdings and its wholly owned subsidiary have been included, in all periods presented, in the accompanying financial statements as if the purchase had occurred on December 20, 2007, the date when it came under common control. The net assets of Lyondell France Holdings SAS were transferred at historic cost.

Acquisition of Shell Oil Refinery in Berre l Etang, France In April 2008, LyondellBasell AF acquired the Shell oil refinery, inventory and associated infrastructure and businesses at the Berre l Etang petrochemical complex in France (the Berre Refinery) for a purchase price of \$927 million including final adjustment for working capital and \$112 million for settlement of accrued contingent consideration of \$112 million. The contingent consideration resulted from the 2005 acquisition of the remaining 50% of Société du Craqueur de l Aubette S.A.S. (SCA) from its previous joint venture partner Shell Pétrochimie Méditerranée.

The refinery is a source of raw materials for, and allowed for vertical integration at, one of our core integrated European sites, which operates world-scale polypropylene and polyethylene plants, a steam cracker and a butadiene extraction unit at Berre l'Etang and a polyethylene plant at nearby Fos sur Mer. The acquisition also allows optimization opportunities with our global fuels and chemicals businesses and provides us with access to significant local logistics assets, including pipeline access, storage terminals and harbor access to the Mediterranean Sea. The refinery's products include naphtha, VGO, liquefied petroleum gas, fuels for a variety of applications, heating oil and bitumen.

Consolidation of the refinery's operations prospectively from April 1, 2008 added revenues of \$2,750 million and a \$147 million operating loss, excluding the impairment discussed below, to the 2008 results of operations.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Business Acquisitions and Dispositions (Continued)**

In the fourth quarter 2008, the Predecessor evaluated the long-lived assets of the Berre Refinery for impairment and recorded a \$218 million charge representing the net book value of the assets acquired in April 2008.

6. Insurance Claims

The Predecessor received insurance proceeds during 2009 and 2008 of \$120 million and \$89 million, respectively, representing partial settlements of outstanding insurance claims related to damages sustained in 2005 at the polymers plant in Münchsmünster, Germany. These proceeds are being used to finance the construction of the polyethylene plant in Münchsmünster, Germany. The Predecessor recognized gains on involuntary conversion in 2009 and 2008 of \$120 million and \$79 million, respectively, all of which were included in Other income, net, in the Consolidated Statements of Income.

7. Related Party Transactions

LB Subholdings current and long-term related party loans include the following:

	December 31, 2010	Total	December 31, 2009 Transferred to Contributed Capital	Net
Millions of dollars				
Short-term receivables	\$ 39	\$ 692	\$ 618	\$ 74
Long-term receivables	500	299	267	32
Total	\$ 539	\$ 991	\$ 885	\$ 106
Short-term payables	\$ 209	\$ 2,087		\$ 2,087
Long-term payables		56		56
Total	\$ 209	\$ 2,143	\$	\$ 2,143

Current Account Agreements with Subsidiaries of LyondellBasell N.V. We provide financial services to certain subsidiaries of LyondellBasell N.V. through unsecured current account agreements for indefinite periods, under which each subsidiary may deposit excess cash balances with us and have access to uncommitted revolving lines of credit in excess of their respective deposits.

On and after April 30, 2010, we and the subsidiaries of LyondellBasell N.V. entered into several unsecured current account agreements for an indefinite period. Deposits bear interest at the LIBOR 1 month rate minus fifteen basis points. Borrowings under the lines of credit bear interest at the LIBOR 1 month rate plus 400 basis points. At

December 31, 2010, the balance under these current account agreements reflected net borrowings of \$39 million in the Consolidated Balance Sheet as Receivables from related parties.

We and subsidiaries of LyondellBasell AF were parties to a Credit Agreement and an Inter-company creditor Agreement dated December 20, 2007. Deposits under these current account agreements bore interest at the LIBOR 1 month rate minus fifteen basis points and borrowings under the available lines of credit bear interest at the LIBOR 1 month rate plus 350 basis points. At December 31, 2009, the balances under the current account agreements for related party borrowings totaled \$227 million and for Related party loans totaled \$9 million. On April 30, 2010, net borrowings of \$216 million were discharged pursuant to the Plan of Reorganization and have been classified as a reduction of stockholder's equity in the predecessor periods.

Notes Payable to LyondellBasell N.V. and LyondellBasell AF we and the subsidiaries of LyondellBasell N.V. entered into several unsecured current account agreements for an indefinite period on and after April 30,

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Related Party Transactions (Continued)

2010. Deposits bear interest at the LIBOR 1 month rate minus fifteen basis points. Borrowings under the lines of credit bear interest at the LIBOR 1 month rate plus 400 basis points. At December 31, 2010, the balance under these current account agreements reflected net borrowings of \$209 million in the Consolidated Balance Sheet as related party payables.

Subject to the terms of a high yield loan agreement dated August 10, 2005, LBIH B.V. could borrow up to 500 million and up to \$615 million from LyondellBasell AF. At December 31, 2009, the outstanding balance of loans payable under this agreement was \$1,490 million. On April 30, 2010, the loan balance of \$1,461 million was purchased by LB Subholdings for 10 Euro from LyondellBasell AF. LBIH B. V. recorded a capital contribution of \$1,461 million from LB Subholdings and eliminated the loan at April 30, 2010 as per the Plan of Reorganization.

Long-term loan receivable from a Subsidiary of LyondellBasell N.V. Pursuant to the Third Amended Plan of Reorganization, on April 30, 2010, we entered into a \$500 million unsecured loan agreement with a subsidiary of LyondellBasell N.V. The loan matures on April 30, 2013 and bears interest at the LIBOR 3 month rate for USD plus 400 basis points. Interest, which is due quarterly, will automatically be added to principal if unpaid at the Interest Payment Date, as defined, and such unpaid interest will constitute an advance under the loan. On December 31, 2010, the outstanding balance under this loan agreement was \$500 million.

On December 20, 2007, LBIH B.V. advanced \$500 million to LyondellBasell AF under a \$500 million loan agreement. The loan, which was deemed fully drawn on December 20, 2007, would have matured on December 31, 2012. At December 31, 2009, the outstanding balance under the loan was \$465 million. On April 30, 2010, the debt was discharged pursuant to Third Amended Plan of Reorganization and, as such, has been classified as a reduction of stockholder's equity in the predecessor period.

Pursuant to a loan agreement entered into on December 31, 2005 and amended and restated on August 1, 2007, a subsidiary of LyondellBasell AF could have borrowed up to 250 million on a revolving basis. The note, which would have matured on August 31, 2011, bore interest at EURIBOR (EURO Interbank Offer Rate) 3 month rate plus .25%. Interest was due quarterly. At December 31, 2009, the outstanding balance under this loan was \$299 million. On April 30, 2010, related party net borrowings of \$266 million were discharged pursuant to the Plan of Reorganization and as such have been classified as a reduction of stockholder's equity in the predecessor period.

Others Pursuant to Third Amended Plan of Reorganization, at the Emergence Date we made payment for deposits under loan agreements dated December 20, 2007 of \$380 million, dated January 1, 2001 and amended and restated on November 30, 2007 of \$56 million, dated September 30, 2008 of \$98 million and dated January 9, 2009 of \$325 million to Lyondell Chemical Company and its subsidiaries.

The Company has related party transactions with affiliates of our major shareholders, Access Industries (Access) and Apollo Management (Apollo) and with the Company's joint venture partners.

Access Past Access related party transactions included a management and a tax-sharing agreement.

Upon emergence, in May 2010, LyondellBasell, N.V. entered into a tax cooperation agreement with Access. The tax cooperation agreement allows either party to provide the other with information and support in connection with tax

return preparation and audits for a fee. There were no payments made or received under this agreement during 2010.

In December 2007, LyondellBasell AF also entered into a tax-sharing agreement with a subsidiary of Access entitling Access to consideration equal to 17.5% of the net operating loss carryforwards used by LyondellBasell AF entities to reduce their Dutch or French income tax liability. Payments under this agreement

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Related Party Transactions (Continued)

are limited to a maximum of \$175 million. There were no payments under this agreement during 2010, 2009 or 2008. This agreement was not assumed upon the Company's emergence from chapter 11.

In December 2007, in connection with the Lyondell Chemical acquisition, LyondellBasell AF entered into a management agreement with Access. The agreement included a periodic annual fee of \$25 million. Management fees of \$25 million in 2009 and 2008 are reflected as expense in Selling, general and administrative expenses. The 2009 management fee, which was not paid, was discharged pursuant to the Plan of Reorganization. This agreement was not assumed upon the Company's emergence from chapter 11.

On December 20, 2010, one of our subsidiaries received demand letters from affiliates of Access. The Access affiliates have demanded that our subsidiary, LBIHB.V. indemnify them and their shareholders, members, affiliates, officers, directors, employees and other related parties for all losses, including attorney's fees and expenses, arising out of a pending lawsuit and pay \$50 million in management fees for 2009 and 2010 in addition to other unspecified amounts related to advice purportedly given in connection with financing and other strategic transactions. For additional information related to this matter, see Note 20.

Apollo As a result of the distribution of ordinary shares of LyondellBasell N.V. common stock pursuant to the Plan of Reorganization and the issuance of ordinary shares of LyondellBasell N.V. common stock under a rights offering on the Emergence Date, we began reporting transactions between the Company and affiliates of Apollo as related party transactions. These transactions with Apollo affiliates include the sales of product under a long-term contract that renews automatically each year on July 31, unless a 90 day notice of termination has been received. Other product sales are made on the spot market.

Consultant Fee In connection with the Bankruptcy cases, LyondellBasell AF retained the services of and entered into a Bankruptcy Court-approved contractual agreement with one of its directors. The directors received a \$10 million success fee from the Company upon emergence from chapter 11.

Joint Venture Partners The Company has related party transactions with its equity investees. These related party transactions include the sales and purchases of goods in the normal course of business as well as certain financing arrangements. In addition, under contractual arrangements with certain of the Company's equity investees, we receive certain services, utilities, materials and facilities at some of our manufacturing sites and we provide certain services to our equity investees.

In December 2009, LyondellBasell N.V. advanced 10 million (\$14 million) to its joint venture partner, Basell Orlen Polyolefins SP.Z.O.O. under a loan agreement that matures on December 31, 2013. The note bears interest, which is due semi-annually, at EURIBOR plus 4% through June 30, 2012 and EURIBOR plus 4.5% thereafter.

LyondellBasell Related Companies In 2009, we entered into a Shared Service Agreement with a subsidiary of LyondellBasell N.V. The shared service agreement allows either party to provide the other services and advice related to business matters for a fee. The total cost incurred is allocated on an equitable cost sharing basis, primarily driven by sales revenue. The management believes that the allocation methodology is reasonable.

Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Related Party Transactions (Continued)**

Related party transactions are summarized as follows:

	Successor May 1 through December 31, 2010	January 1 through April 30, 2010	Predecessor For the Year Ended December 31, 20092008	
Millions of dollars				
The Company billed related parties for:				
Sales of products and processing services				
Apollo affiliates	\$ 13	\$	\$	\$
Equity investees	488	207	621	803
LyondellBasell related companies	691	177	438	725
Shared services agreements				
Equity investees	22	4	21	14
LyondellBasell related companies	20	6	12	41
Interest				
Equity investees			4	18
LyondellBasell related companies	17	14	47	173
Related parties billed the Company for:				
Purchases of products and processing services				
Equity investees	776	411	1,856	2,418
LyondellBasell related companies	350	267	375	778
Shared services agreements				
Equity investees	56	28	100	111
LyondellBasell related companies	2	1	4	4
Interest				
Equity investees			3	10
LyondellBasell related companies		52	189	194
Royalties	83	42	26	49

8. Accounts Receivable

We sell our products primarily to other industrial concerns in the petrochemicals and refining industries. We perform ongoing credit evaluations of our customers' financial condition and, in certain circumstances, require letters of credit or corporate guarantees from them. As part of push-down accounting our Accounts receivable were valued at market. Our allowance for doubtful accounts receivable, which is reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, totaled \$12 million and \$96 million at December 31, 2010 and 2009, respectively. Our provisions for doubtful accounts receivable, which are recorded in the Consolidated Statements of Income, were \$12 million, \$1 million, \$13 million and \$34 million during the eight months ended December 31, 2010, the four months ended April 30, 2010 and for the years ended December 31, 2009 and 2008, respectively.

Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. Inventories**

Inventories consisted of the following components at December 31:

	Successor 2010	Predecessor 2009
Millions of dollars		
Finished goods	\$ 1,442	\$ 932
Work-in-process	14	7
Raw materials and supplies	342	359
Total inventories	\$ 1,798	\$ 1,298

In connection with application of push-down accounting on May 1, 2010, we recorded inventory at its fair value of \$1,703 million (see Note 4).

We recorded charges of \$89 million and \$143 million in 2009 and 2008, respectively, to adjust the value of our inventory to market value, which was lower than the carrying cost at December 31, 2009 and 2008. Also in 2008, we recognized a \$33 million charge for impairment of inventory. The Successor period did not include any inventory valuation adjustments on a net basis.

Approximately 90% of the Company's inventories were valued using the LIFO method at December 31, 2010. The excess of current replacement cost over LIFO cost of inventories amounted to \$185 million at December 31, 2010. During 2010, liquidations of LIFO inventory layers resulted in a charge of \$17 million.

Prior to LyondellBasell N.V.'s emergence from bankruptcy proceedings on April 30, 2010, our inventory was carried on a FIFO basis.

10. Property, Plant and Equipment, Goodwill, Intangible and Other Assets

Property, Plant and Equipment The components of Property, plant and equipment, at cost, and the related accumulated depreciation were as follows at December 31:

	Successor 2010	Predecessor 2009
Millions of dollars		
Land	\$ 177	\$ 172
Manufacturing facilities and equipment	3,418	5,095
Construction in progress	294	773
Total property, plant and equipment	3,889	6,040
Less accumulated depreciation	(200)	(1,566)

Property, plant and equipment, net	\$	3,689	\$	4,474
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In connection with application of push-down accounting on May 1, 2010, we recorded Property, plant and equipment, which includes land, buildings and equipment, furniture and fixtures and construction in progress, at its fair value of \$3,656 million (see Note 4).

On February 25, 2010, based on the continued impact of global economic conditions on polypropylene demand, the Predecessor announced a project to cease production, and permanently shut down, its polypropylene plant at Terni, Italy. The Predecessor recognized charges of \$23 million in cost of sales related to plant and other closure costs in the first quarter of 2010. In July 2010, the plant ceased production.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Property, Plant and Equipment, Goodwill, Intangible and Other Assets (Continued)**

Following an analysis of the cash flow projections for the Berre refinery, we concluded that the capital additions in 2010 are impaired. Accordingly, we recognized a \$25 million charge for impairment of the carrying value of those assets. Capital spending required for the operation of the Berre refinery will continue to be impaired until such time as the discounted cash flow projections for the Berre refinery are sufficient to recover the asset's carrying amount.

The full carrying value of the Berre refinery assets was impaired in 2008 resulting in a charge of \$218 million. The analysis that was conducted resulting in the impairment was triggered by a downward revision of the Company's long range cash flow projections due to the significantly deteriorating business conditions experienced in the fourth quarter of 2008.

Capitalized interest expense related to Property, plant and equipment for the eight months ended December 31, 2010, the four months ended April 30, 2010 and for the years ended December 31, 2009 and 2008 was \$2 million, \$4 million, \$35 million and \$13 million, respectively.

Goodwill We recorded goodwill of \$316 million upon application of push-down accounting (see Note 4). Goodwill at December 31, 2010 reflects the \$4 million effect of changes in currency exchange rates since April 30, 2010. This was the only movement in goodwill during the Successor period.

During the fourth quarter of 2008, LBIH B.V. performed its annual impairment tests for goodwill. As a result of the review, LBIH B.V. determined the goodwill was impaired. The impairment was based on a review performed by Management in which the discounted cash flows did not support the carrying value of the goodwill due to rapid deterioration in the global economy and the effects on LBIH B.V.'s operations in the latter part of the fourth quarter of 2008. Accordingly, in the fourth quarter of 2008, LBIH B.V. recorded a charge to earnings of \$360 million for impairment of goodwill for acquisition of Lyondell France Holdings.

Intangibles Assets In connection with application of push-down accounting on May 1, 2010, we recorded Intangible assets at their fair values of \$338 million (see Note 4).

The components of identifiable intangible assets, at cost, and the related accumulated amortization were as follows at December 31:

	Successor 2010			Predecessor 2009		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Millions of dollars						
In-process research and development costs	\$ 127	\$	\$ 127	\$	\$	\$
Technology, patent and license costs	1		1	480	(219)	261
Emission allowances	2		2	32	(8)	24
Various contracts	212	(59)	153			
Debt issuance costs				94	(81)	13
Software costs	1		1	2	(1)	1

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Catalyst costs				11		(2)	9
Other				3			3
Total intangible assets	\$ 343	\$ (59)	\$ 284	\$ 622	\$ (311)	\$ 311	

Amortization of these identifiable intangible assets for each of the next five years is expected to be \$29 million in 2011, \$26 million in 2012, \$15 million in 2013, \$20 million in 2014 and \$9 million in 2015.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Property, Plant and Equipment, Goodwill, Intangible and Other Assets (Continued)**

In December 2009, LBIH B.V. recognized a \$9 million impairment of Emission rights due to reductions in the observable market price. These charges are reflected in Impairments on the Consolidated Statements of Income.

The components of Other assets were as follows at December 31:

	Successor 2010	Predecessor 2009
Investments at cost	\$	\$ 28
Debt issuance costs	17	
Pension assets	21	2
Deferred tax asset	29	3
Other	18	12
Total other assets	\$ 85	\$ 45

Depreciation and Amortization Expense Depreciation and amortization expense is summarized as follows:

	Successor May 1 through December 31, 2010	January 1 through April 30, 2010	Predecessor For the Year Ended December 31, 2009 2008	
Millions of dollars				
Property, plant and equipment	\$ 190	\$ 143	\$ 382	\$ 430
Investment in PO joint venture	3	5	16	20
Technology, patent and license costs		6	79	73
Software costs		4	7	1
Various contracts	59			
Other			6	
Total depreciation and amortization	\$ 252	\$ 158	\$ 490	\$ 524

Asset Retirement Obligations At some sites we are contractually obligated to decommission our plants upon site exit. The Company has provided for the net present value of the estimated costs. Typically such

Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Property, Plant and Equipment, Goodwill, Intangible and Other Assets (Continued)**

costs are incurred within three years after a plant's closure. The changes in the Company's asset retirement obligations were as follows:

	Successor May 1 Through December 31, 2010 2010	Predecessor January 1 through April 30, 2010 2010	For the Year Ended December 31, 2009 2009
Millions of dollars			
Beginning balance	\$ 98	\$ 128	\$ 104
Payments		(1)	
Changes in estimates	(2)	(11)	
Accretion expense	2	1	17
Effects of exchange rate changes	2	(9)	7
Reduction as a result of business acquisition			
Other		(2)	
Ending balance	\$ 100	\$ 106	\$ 128

In connection with application of push-down accounting on May 1, 2010, we recorded asset retirement obligations at their fair values of \$98 million.

We believe that there are other asset retirement obligations associated with some of our facilities, but that the present value of those obligations is not material in the context of an indefinite expected life of the facilities. We continually review the optimal future alternatives for our facilities. Any decision to retire one or more facilities may result in an increase in the present value of such obligations.

11. Investment in PO Joint Ventures

We, together with Bayer AG and Bayer Corporation (collectively "Bayer"), each have a 50% interest in a manufacturing joint venture (the "PO Joint Venture"), which includes a world-scale propylene oxide ("PO") /styrene monomer ("SM") ("PO/SM") plant at Maasvlakte near Rotterdam, The Netherlands. The Company and Bayer each are entitled to 50% of the PO and SM production at the PO Joint Venture.

We operate the PO Joint Venture plant and arrange and coordinate the logistics of product delivery. The partners share in the cost of production and logistics based on their product offtake.

We report the cost of our product offtake as inventory and cost of sales in our consolidated financial statements. Related cash flows are reported in the operating cash flow section of the Consolidated Statements of Cash Flows. Our investment in the PO Joint Venture is reduced through recognition of our share of the depreciation and amortization of

the assets of the PO Joint Venture, which is included in cost of sales. Other changes in the investment balance are principally due to additional capital investments in the PO Joint Venture by the Company. The Company's contributions to the PO Joint Venture are reported as Contributions and advances to affiliates in the Consolidated Statements of Cash Flows.

Total assets reflected in the books and records of the PO Joint venture, primarily property, plant and equipment, were \$470 million and \$554 million as of December 31, 2010 and 2009, respectively.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Investment in PO Joint Ventures (Continued)**

Changes in the Company's investment in the PO joint venture for the years ended December 31, 2010 and 2009 are summarized below:

Millions of dollars		PO Joint Venture	
<u>Successor</u>			
Investment in PO joint venture	May 1, 2010	\$	149
Depreciation and amortization			(3)
Investment in PO joint ventures	December 31, 2010	\$	146
<u>Predecessor</u>			
Investment in PO joint venture	January 1, 2010	\$	389
Cash contributions (return of investment)			(5)
Depreciation and amortization			(5)
Effect of exchange rate changes			(31)
Investments in PO joint venture	April 30, 2010	\$	348
Investment in PO joint venture	January 1, 2009	\$	392
Cash contributions			2
Depreciation and amortization			(16)
Effect of exchange rate changes			11
Investment in PO joint venture	December 31, 2009	\$	389

In connection with application of push down accounting on May 1, 2010, our equity interests in PO joint ventures were valued at their fair value of \$149 million (see Note 4).

12. Equity Investments

Direct and indirect Equity investments held by the Company are as follows:

Percent of Ownership	Successor December 31, 2010	Predecessor December 31, 2009
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Basell Orlen Polyolefins Sp. Z.o.o.	50.00%	50.00%
PolyPacific Pty. Ltd.	50.00%	50.00%
SunAllomer Ltd.	50.00%	50.00%
Saudi Polyolefins Company	25.00%	25.00%
Saudi Ethylene & Polyethylene Company Ltd.	25.00%	25.00%
Al-Waha Petrochemicals Ltd.	20.95%	20.95%
PolyMirae Co. Ltd.	42.59%	42.59%
HMC Polymers Company Ltd.	28.56%	28.56%
Indelpro S.A. de C.V.	49.00%	49.00%
Kazakhstan Petro-Chemicals Industries, Inc.		24.00%
Geosel	27.00%	27.00%

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. Equity Investments (Continued)**

The changes in Equity investments are as follows:

	Successor May 1 through December 31, 2010	Predecessor January 1 through April 30, 2010	Predecessor For the Year Ended December 31, 2009
Millions of dollars			
Beginning balance	\$ 1,421	\$ 986	\$ 1,053
Investee net income	86	84	83
Impairment recognized by investor			(228)
Income (loss) from equity investments	86	84	(145)
Dividends received	(34)	(18)	(19)
Contributions to joint venture		19	8
Currency exchange effects	(13)	(8)	48
Other	16	10	41
Ending balance	\$ 1,476	\$ 1,073	\$ 986

We capitalize interest on the projects of our equity investees that are necessary for the commencement of their principal operations. During 2010 and 2009, the Company capitalized interest of \$2 million and \$17 million, respectively, for qualified projects of Saudi Ethylene & Polyethylene Company Ltd. and Al-Waha Petrochemicals Ltd.

The subsidiary that holds the Company's equity interest in Saudi Al-Waha Petrochemicals Ltd. has a minority shareholder, which holds 16.21% of its equity. The equity interest held by the minority shareholder can be called by the Company or can be put to the Company by the minority interest shareholder at any time after May 23, 2009. The price of the call option is the nominal value of the shares (initial \$18 million investment) plus accrued interest based on LIBOR plus 40 basis points, less paid dividends. The price of the put option is 1 plus the minority shareholder's undistributed pro-rata earnings. As of December 31, 2010 and 2009, the put would have a minimal redemption amount and the call could be redeemed for \$21 million and \$20 million, respectively, the value of the initial investment plus accrued interest.

Summarized balance sheet information and the Company's share of Equity investments are as follows:

	Successor December 31, 2010 Company 100% Share	Predecessor December 31, 2009 Company 100% Share
Millions of dollars		

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Current assets	\$ 3,207	\$ 1,112	\$ 2,403	\$ 871
Noncurrent assets	6,304	1,844	6,420	2,036
Total assets	9,511	2,956	8,823	2,907
Current liabilities	2,384	809	1,545	563
Noncurrent liabilities	3,660	1,028	4,021	1,130
Net assets	\$ 3,467	\$ 1,119	\$ 3,257	\$ 1,214

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. Equity Investments (Continued)**

Summarized income statement information for the years ended December 31 and the Company's share for the years for which the respective equity investments were accounted for under the Equity method is set forth below:

	Successor		Predecessor	
	May 1 through December 31, 2010	Company Share	January 1 through April 30, 2010	Company Share
Millions of dollars	100%		100%	
Revenues	\$ 4,096	\$ 1,569	\$ 2,703	\$ 819
Cost of sales	(3,507)	(1,375)	(2,282)	(702)
Gross profit	589	194	421	117
Net operating expenses	(140)	(46)	(72)	(25)
Operating income	449	148	349	92
Interest income	3	2	2	
Interest expense	(143)	(43)	(42)	(13)
Foreign currency translation	5		83	24
Income (loss) from equity investments	(2)	(2)	3	1
Income before income taxes	312	105	395	104
Provision for income taxes	(44)	(19)	(67)	(20)
Net income	\$ 268	\$ 86	\$ 328	\$ 84

	Predecessor		Predecessor	
	2009	Company Share	2008	Company Share
Millions of dollars	100%		100%	
Revenues	\$ 5,533	\$ 1,656	\$ 5,627	\$ 1,959
Cost of sales	(4,881)	(1,453)	(4,960)	(1,790)
Gross profit	652	203	667	169
Net operating expenses	(112)	(46)	(363)	(84)
Operating income	540	157	304	85
Interest income	17	3	19	6

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Interest expense	(118)	(40)	(146)	(47)
Foreign currency translation	(10)	(6)	(57)	(16)
Income from equity investments	4	2	23	4
Income before income taxes	433	116	143	32
Provision for income taxes	(108)	(33)	(39)	(12)
Net income	\$ 325	\$ 83	\$ 104	\$ 20

In connection with application of push-down accounting on May 1, 2010, we recorded equity investments at their fair value of \$1,421 million (see Note 4). The carrying value of the our equity investments at December 31, 2010 of \$1,476 million reflects the 2010 aggregate fair value adjustment which is different than

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. Equity Investments (Continued)**

our share of the equity investment in the underlying assets of \$1,119 million. In 2009, the Company recognized pretax impairment charges totaling \$228 million for impairment of the carrying value of its investments in certain joint ventures.

A joint venture of ours is in default under its financing arrangement due to a delay in the start-up of its assets and as a result of the voluntary filing for relief under chapter 11 of the U.S. Bankruptcy Code on April 24, 2009. The parties are currently negotiating in good faith to resolve the default and at present there is no evidence that such negotiations will not be concluded successfully or that the resolution of this matter will have a material adverse impact on our operations or liquidity.

13. Accrued Liabilities

Accrued liabilities consisted of the following components at December 31:

	Successor 2010	Predecessor 2009
Millions of dollars		
Payroll and benefits	\$ 220	\$ 224
Taxes other than income taxes	114	77
Interest	13	12
Product sales rebates	174	133
Derivatives	1	20
Income taxes	87	55
Deferred revenues	13	
Other	256	145
Total accrued liabilities	\$ 878	\$ 666

14. Debt

Long-term loans, notes, and other long-term debt due to banks and other unrelated parties consisted of the following at December 31:

	Successor 2010	Predecessor 2009
Millions of dollars		
Bank credit facilities:		
Senior secured credit facility:		
Term loan A due 2013 Dutch tranche	\$	\$ 331
\$1,000 million revolving credit facility		164

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Guaranteed Notes, due 2027	300	300
Other	14	6
Total	314	801
Less current maturities	(4)	(497)
Long-term debt	\$ 310	\$ 304

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****14. Debt (Continued)**

Short-term loans, notes, and other short-term debt due to banks and other unrelated parties consisted of the following at December 31:

	Successor 2010	Predecessor 2009
Millions of dollars		
Debtor-in-Possession Credit Agreements:		
Term Loan facility due 2010:		
Roll-up Loans Senior Secured Credit Facility:		
Term Loan A due 2013 Dutch tranche	\$	\$ 122
Term Loan B due 2014 German tranche		465
Revolving Credit Facility Dutch tranche		54
Receivables securitization program		377
Accounts receivable factoring facility		24
Financial payables to equity investees		12
Other	30	36
Total short-term debt	\$ 30	\$ 1,090

Aggregate maturities of all long-term debt during the next 5 years are \$34 million in 2011, \$9 million in 2012, and \$301 million in 2016 and thereafter.

At December 31, 2010, long-term debt comprised the \$300 million Guaranteed Notes due 2027 and \$14 million of other debt.

Guaranteed Notes due 2027 The Company is a guarantor of \$300 million of fixed interest rate Guaranteed Notes held by one of its subsidiaries. The Guaranteed Notes, which have a maturity date of March 15, 2027, bear interest, payable on the fifteenth day of each March and September, at an annual rate of 8.1%.

The 2027 Guaranteed Notes provide certain restrictions with respect to the level of maximum debt that can be incurred and security that can be granted by the operating companies in Italy and The Netherlands that are direct or indirect wholly owned subsidiaries of the Company.

The 2027 Notes contain customary provisions for default, including, among others, the non-payment of principal and interest on the 2027 Notes, certain failures to perform or observe any other obligation under the 2027 Agreement on the 2027 Notes, the occurrence of certain defaults under other indebtedness, failure to pay certain indebtedness and the insolvency or bankruptcy of certain LyondellBasell N.V. subsidiaries.

Receivables securitization programs The Company had an accounts receivable securitization program under which it could receive funding of up to 450 million against eligible receivables of certain European subsidiaries. This facility was refinanced, in full, on May 4, 2010 and replaced with a new three-year European securitization facility. Transfers

of accounts receivable under this program do not qualify as sales; therefore, the transferred accounts receivable and the proceeds received through such transfers are included in trade receivables, net, and short-term debt in the Consolidated Balance Sheets. In October 2010, the amounts outstanding under the receivable securitization program were repaid. The lenders will receive a commitment fee on the unused commitments.

Accounts Receivable Factoring Facility On October 8, 2009, the Company entered into an accounts receivable factoring facility for up to 100 million. The factoring facility was for an indefinite period, non-

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Debt (Continued)

recourse, unsecured and terminable by either party subject to notice. In November 2010, the facility was paid in full and terminated.

Other In the eight months ended December 31, 2010 and in the four months ended April 30, 2010, amortization of debt premiums and debt issuance costs resulted in amortization expense of \$4 million and \$15 million, respectively, that was included in interest expense in the Consolidated Statements of Income. For the years ended December 31, 2009 and 2008, such amortization was \$31 million and \$15 million, respectively, including adjustments to fair values included in accounting for the acquisition of Lyondell Chemical, and debt issuance costs.

In 2009, in conjunction with the reclassification of debt to Liabilities Subject to Compromise, we wrote off the associated unamortized debt issuance costs of \$69 million, which are reflected in Reorganization items in the Consolidated Statements of Income.

Contractual interest for the Debtors was \$478 million for the four-months ended April 30, 2010; and \$1,423 million for the year ended December 31, 2009.

Our 2010 weighted average interest rate on outstanding short-term debt was 5.0% and 9.2%, in the 2010 Successor and Predecessor periods, respectively, and 8.8% in 2009.

15. Lease Commitments

We lease office facilities, railcars, vehicles, and other equipment under long-term operating leases. Some leases contain renewal provisions, purchase options and escalation clauses. Additionally, we have entered into a long-term agreement with an information technology service provider that is cancellable by us with a six-month notice period and payment of a cancellation fee. This agreement is classified as an operating lease.

The aggregate future estimated payments under these commitments are:

Millions of dollars

2011	\$ 70
2012	43
2013	39
2014	37
2015	28
Thereafter	173
Total minimum lease payments	\$ 390

Rental expense for the years ended December 31, 2010, 2009 and 2008 was \$76 million, \$75 million and \$88 million, respectively.

16. Financial Instruments and Derivatives

Cash Concentration Our cash equivalents are placed in high-quality commercial paper, money market funds and time deposits with major international banks and financial institutions.

We are exposed to market risks, such as changes in commodity pricing, currency exchange rates and interest rates. To manage the volatility related to these exposures, we selectively enter into derivative transactions pursuant to our policies. Designation of the derivatives as fair-value or cash-flow hedges is performed on a specific exposure basis. Hedge accounting may or may not be elected with respect to certain

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. Financial Instruments and Derivatives (Continued)**

short-term exposures. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged.

Foreign Currency Rates We enter into transactions denominated in other than our functional currency and the functional currencies of our subsidiaries and are, therefore, exposed to foreign currency risk on receivables and payables. We maintain risk management control systems intended to monitor foreign currency risk attributable to both the outstanding foreign currency balances and future commitments. The risk management control systems involve the centralization of foreign currency exposure management, the offsetting of exposures and the estimating of expected impacts of changes in foreign currency rates on our earnings. We enter into foreign currency forward contracts to reduce the effects of our net currency exchange exposures. At December 31, 2010, foreign currency forward contracts in the notional amount of \$656 million, maturing in January, February and May 2011, were outstanding.

Changes in the fair value of foreign currency forward contracts are reported in the Consolidated Statements of Income and offset the currency exchange results recognized on the assets and liabilities.

Foreign Currency Gain (Loss) Other income, net, in the Consolidated Statements of Income reflected a gain of \$16 million for the eight months ended December 31, 2010; losses of \$259 million for the four months ended April 30, 2010; and gains of \$110 million for the year ended December 31, 2009 and a \$2 million loss for the year ended December 31, 2008 related to changes in currency exchange rates.

The following table summarizes financial instruments outstanding as of December 31, 2010 and 2009 that are measured at fair value on a recurring basis and the bases used to determine their fair value in the Consolidated Balance Sheets.

	Notional Amount	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Millions of dollars					
<u>Successor</u>					
December 31, 2010:					
Liabilities at fair value:					
Derivatives:					
Foreign currency	\$ 656	\$ 13	\$	\$ 13	\$

Predecessor

December 31, 2009:

Liabilities at fair value:

Derivatives:

Foreign currency	\$	234	\$	20	\$		\$	20	\$
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The fair value of all non-derivative financial instruments included in current assets, including cash and cash equivalents and accounts receivable, and accounts payable, approximated the applicable carrying value due to the short maturity of those instruments.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. Financial Instruments and Derivatives (Continued)**

The following table provides the fair value of derivative instruments and their balance sheet classifications at December 31, 2010 and 2009:

	Balance Sheet Classification	Successor December 31, 2010	Predecessor December 31, 2009
Millions of dollars			
Fair Value of Derivative Instruments			
Liability Derivatives			
Not designated as hedges:			
Foreign currency	Accrued liabilities	\$13	\$ 20

The following table summarizes the pretax effect of derivative instruments charged directly to income:

	Gain (Loss)	Effect of Financial Instruments Gain (Loss) Reclassified from AOCI to Income	Additional Gain (Loss) Recognized in Income	Income Statement Classification
Millions of dollars				
Successor				
For the period May 1 through December 31, 2010:				
Derivatives not designated as hedges:				
Foreign currency	\$	\$	\$ (20)	Other income (expense), net

Predecessor

For the period January 1 through April 30, 2010:

Derivatives not designated as hedges:

Foreign currency	\$	\$	8	Other income (expense), net
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Non-derivatives designated as hedges of foreign
currency:

Net foreign investment

8.1% Guaranteed Notes due 2027	\$	(24)	\$		\$
8.375% Senior Notes due 2015		(20)			
	\$	(44)	\$		\$ 8

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Financial Instruments and Derivatives (Continued)

			Effect of Financial Instruments Gain (Loss)	Additional Gain (Loss)	
	Gain (Loss)	Reclassified from AOCI to Income	Recognized in Income	Income Statement Classification	
	Recognized in AOCI				
Millions of dollars					
<u>Predecessor</u>					
For the year ended December 31, 2009:					
Derivatives designated as cash-flow hedges:					
Cross-currency interest rate	\$ 23	\$ 23	\$		Other income (expense), net
	\$ 23	\$ 23	\$		
Derivatives not designated as hedges:					
Foreign currency	\$	\$	\$ (15)		Other income (expense), net
Stock option plans			(3)		Other income (expense), net
			(18)		
	\$ 23	\$ 23	\$ (18)		
Non-derivatives designated as hedges of foreign currency:					
Net foreign investment					
8.1% Guaranteed Notes due 2027	\$ 9	\$	\$		
8.375% Senior Notes due 2015	8				
	\$ 17	\$	\$		

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Financial Instruments and Derivatives (Continued)

		Effect of Financial Instruments Gain (Loss)	Additional Gain (Loss)	
	Gain (Loss)	Reclassified from AOCI to Income	Recognized in Income	Income Statement Classification
	Recognized in AOCI			
Millions of dollars				
<u>Predecessor</u>				
For the year ended December 31, 2008:				
Derivatives designated as cash-flow hedges:				
Cross-currency interest rate	22	(22)		Other income
Interest rate	(45)		35	(expense), net
	(23)	(22)	35	Interest expense
Derivatives not designated as hedges:				
Foreign currency			74	Other income
Stock option plans			(5)	(expense), net
			69	Other income
				(expense), net
	\$ (23)	\$ (22)	\$ 104	
Non-derivatives designated as hedges of foreign				
currency:				
Net foreign investment				
8.1% Guaranteed Notes due 2027	\$ (13)	\$	\$	
Dutch tranche A term loan	(19)			
8.375% Senior Notes due 2015	(11)			
	\$ (43)	\$	\$	

The carrying value and the estimated fair value of the Company's non-derivative financial instruments are shown in the table below:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Millions of dollars				
Related party notes receivable	\$ 539	\$ 539	\$ 106	\$ 106
Related party short-term debt and notes payable	209	209	2,143	2,143
Third party short and long-term debt, including current maturities and liabilities subject to compromise	344	368	3,149	2,616

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Financial Instruments and Derivatives (Continued)

The following table summarizes the bases used to measure certain assets and liabilities at fair value on a recurring basis in the Consolidated Balance Sheets:

	Carrying		Fair Value Measurement					
	Value	Fair	Quoted	Significant				
	December 31,	Value	prices	other	Significant			
	2010	December 31,	in active	observable	unobservable			
		2010	markets	inputs	inputs			
Millions of dollars			for	(Level 2)	(Level 3)			
			identical					
			assets					
			(Level 1)					
Related party notes receivable	\$	539	\$	539	\$	539		
Related party notes payable	\$	209	\$	209	\$	209		
Short and Long-term debt, including current maturities		344		368	324	44		
Total	\$	553	\$	577	\$	324	\$	253

The fair value of all non-derivative financial instruments included in current assets, including cash and cash equivalents, and accounts receivable and accounts payable, approximated carrying value due to the short maturity of those instruments.

The following table is a reconciliation of the beginning and ending balances of short and long-term debt, including current maturities, the fair value measurement of which was determined using Level 2 inputs:

	Short and Long-term debt, including current maturities
Millions of dollars	
Balance at May 1, 2010	\$ 276
Purchases, sales, issuances, and settlements, net	
Total gains or losses (realized/unrealized)	48
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Balance at December 31, 2010 \$ 324

The following table is a reconciliation of the beginning and ending balances of Long-term debt, Related party notes receivables and Related party notes payable, including current maturities, the fair value measurement of which was determined using Level 3 inputs:

	Related party notes receivable	Short and Long-term debt, including current maturities	3 rd party short and long-term debt, including current maturities	Related party notes payable
Millions of dollars				
Balance at May 1, 2010	\$ 530	\$ 583	\$ 457	\$ 126
Purchases, sales, issuances, and settlements, net	9	(331)	(414)	83
Total gains or losses (realized/unrealized)		1	1	
Balance at December 31, 2010	\$ 539	\$ 253	\$ 44	\$ 209

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Financial Instruments and Derivatives (Continued)

For liabilities classified as Level 1, the fair value is measured using quoted prices in active markets. The total fair value is either the price of the most recent trade at the time of the market close or the official close price, as defined by the exchange in which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs. For liabilities classified as Level 2, fair value is based on the price a market participant would pay for the security, adjusted for the terms specific to that asset and liability. Broker quotes were obtained from well established and recognized vendors of market data for debt valuations. The inputs for liabilities classified as Level 3 reflect our assessment of the assumptions that a market participant would use in determining the price of the asset or liability, including our liquidity risk at December 31, 2010.

The fair values of Level 3 instruments are determined using pricing data similar to that used in Level 2 financial instruments described above, and reflect adjustments for less liquid markets or longer contractual terms. For these Level 3 financial instruments, pricing data obtained from third party pricing sources is adjusted for the liquidity of the underlying over the contractual terms to develop an estimated price that market participants would use. Our valuation of these instruments considers specific contractual terms, present value concepts and other internal assumptions related to (i) contract maturities that extend beyond the periods in which quoted market prices are available; (ii) the uniqueness of the contract terms; and (ii) our creditworthiness or that of our counterparties (adjusted for collateral related to our asset positions). Based on our calculations, we expect that a significant portion of other debts will react in a generally proportionate manner to changes in the benchmark interest rate. Accordingly, these financial instruments are fair valued at par and are classified as Level 3.

17. Pension and Other Postretirement Benefits

We have defined benefit pension plans which cover employees in various countries, primarily Germany, the United Kingdom and Canada. We also sponsor postretirement benefit plans other than pensions for Canadian employees, which provide medical benefits to those employees. In Italy and Germany, we provide other post employment benefits such as early retirement and deferred compensation severance benefits. We use a measurement date of December 31 for all of our benefit plans.

Pensions Substantially all of our employees in Germany are covered under several defined benefit pension plans, which provide for benefits based on years of service and average rates of pay. Up to a certain salary level, the benefit obligations regarding the majority of the German employees are covered by contributions of the Company and the employees to the Pensionskasse der BASF VVaG. In 2010, the Company made contributions to this plan of \$7 million. In addition, we offer an unfunded supplementary plan for employees earning in excess of the local social security limits. For certain employees, we offer an unfunded pension plan.

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Pension and Other Postretirement Benefits (Continued)

The following table provides a reconciliation of projected benefit obligations, plan assets and the funded status of our defined benefit pension plans:

	Successor May 1 through December 31, 2010	Predecessor January 1 through April 30, 2010	Predecessor For the Year Ended December 31, 2009
Millions of dollars			
Change in benefit obligation:			
Benefit obligation, beginning of period	\$ 1,029	\$ 990	\$ 922
Reclassification of plans from Other postretirement benefits	30		
Service cost	19	9	28
Interest cost	33	16	51
Actuarial loss (gain)	(38)	91	35
Participant contributions	2	1	3
Plan amendments	10		
Benefits paid	(33)	(20)	(42)
Settlements and curtailments			(4)
Net transfers out (including the effect of any business combinations/divestitures)		6	
Foreign exchange effects	9	(63)	(4)
Other		(1)	
Benefit obligation, end of period	1,061	1,029	989
Change in plan assets:			
Fair value of plan assets, beginning of period	480	454	426
Acquisition through business combinations/divestitures		(1)	
Actual return on plan assets	21	23	28
Company contributions	39	28	52
Benefits paid	(33)	(20)	(42)
Participant contributions	2	1	3
Foreign exchange effects	5	(23)	(9)
Settlement			(4)
Fair value of plan assets, December 31	\$ 514	\$ 462	\$ 454
Funded status of continuing operations, end of period	\$ (547)	\$ (567)	\$ (535)

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	Successor December 31, 2010	Predecessor December 31, 2009
Millions of dollars		
Amounts recognized in the Consolidated Balance Sheets consist of:		
Prepaid benefit cost	\$ 19	\$ 2
Accrued benefit liability, current	(33)	(1)
Accrued benefit liability, long-term	(533)	(536)
Funded status, December 31	\$ (547)	\$ (535)

	Successor December 31, 2010	Predecessor December 31, 2009
Millions of dollars		
Amounts recognized in Accumulated Other Comprehensive Income:		
Actuarial and investment loss	\$ (40)	\$ 59
Prior service cost	10	
Balance at December 31	\$ (30)	\$ 59

The following additional information is presented for our pension plans at December 31:

	Successor 2010	Predecessor 2009
Millions of dollars		
Accumulated benefit obligation for defined benefit plans, December 31	\$ 975	\$ 960

Pension plans with projected benefit obligations in excess of the fair value of assets are summarized as follows at December 31:

	Successor 2010	Predecessor 2009
Millions of dollars		
Projected benefit obligations	\$ 794	\$ 715

Fair value of assets	228	178
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Pension plans with accumulated benefit obligations in excess of the fair value of assets are summarized as follows at December 31:

	Successor 2010	Predecessor 2009
Millions of dollars		
Accumulated benefit obligations	\$ 675	\$ 693
Fair value of assets	\$ 138	\$ 178

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Pension and Other Postretirement Benefits (Continued)**

The following table provides the components of net periodic pension costs:

	Successor May 1 through December 31, 2010	Predecessor January 1 through April 30, 2010	For the Year Ended December 31, 2009 2008	
Millions of dollars				
Net Periodic Pension Cost:				
Service cost	\$ 19	\$ 9	\$ 28	\$ 30
Interest cost	33	16	51	49
Actual return on plan assets	(21)	(23)	(28)	59
Less return in excess of (less than) expected return	2	14	2	(91)
Expected return on plan assets	(19)	(9)	(26)	(32)
Settlement and curtailment gain			(2)	(1)
Prior service cost (benefit) amortization			8	(2)
Actuarial and investment loss amortization			(4)	
Other		1		
Net periodic benefit cost	\$ 33	\$ 17	\$ 55	\$ 44

Our goal is to manage pension investments over the longer term to achieve optimal returns with an acceptable level of risk and volatility. The assets are externally managed by professional investment firms and performance is evaluated continuously against specific benchmarks.

The actual and target asset allocation for our plans are as follows:

	Successor 2010		Predecessor 2009	
	Actual	Target	Actual	Target
Canada				
Equity securities	60%	60%	62%	60%
Fixed income	40%	40%	38%	40%
United Kingdom Basell Plans				
Equity securities	59%	60%	97%	60%
Fixed income	41%	40%	3%	40%
Netherlands Lyondell Chemical Plans				

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Equity securities	16%	50%	15%	50%
Fixed income	84%	50%	85%	50%
Netherlands Basell Plans				
Equity securities	19%	18%	19%	17.5%
Fixed income	81%	82%	81%	82.5%

We estimate contributions of \$57 million to our defined benefit pension plans and \$7 million to our multiemployer plans in 2011.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Pension and Other Postretirement Benefits (Continued)**

As of December 31, 2010, future expected benefit payments by our pension plans which reflect expected future service, as appropriate, were as follows:

Millions of dollars

2011	\$ 48
2012	44
2013	118
2014	60
2015	69
2016 through 2020	316

The following table sets forth the principal assumptions on discount rates, projected rates of compensation increase and expected rates of return on plan assets, where applicable. These assumptions vary for the different plans, as they are determined in consideration of the local conditions.

The assumptions used in determining the net benefit liabilities for our pension plans were as follows at December 31:

	Successor 2010	Predecessor 2009
Weighted-average assumptions as of December 31:		
Discount rate	4.96%	5.50%
Rate of compensation increase	3.27%	3.08%

The assumptions used in determining net benefit costs for our pension plans were as follows for the following periods:

	Successor May 1 through December 31, 2010	January 1 through April 30, 2010	Predecessor Year Ended December 31, 2009	Year Ended December 31, 2008
Weighted-average assumptions for the year:				
Discount rate	4.80%	5.48%	5.73%	5.30%
Expected return on plan assets	6.21%	6.54%	5.78%	6.35%
Rate of compensation increase	3.26%	3.08%	3.25%	3.11%

The discount rate assumptions reflect the rates at which the benefit obligations could be effectively settled, based on published long-term bond indices where the term closely matches the term of the benefit obligations. The expected rate of return on assets was estimated based on the plans' asset allocation, a review of historical capital market performance, historical plan performance and a forecast of expected future asset returns. We review these long-term

assumptions on a periodic basis.

Our pension plans have not invested in securities of the Company, and there have been no significant transactions between any of the pension plans and the Company or related parties thereof.

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Pension and Other Postretirement Benefits (Continued)

The pension investments that are measured at fair value as of December 31, 2010 are summarized below:

	Pension Investments Basis of Fair Value Measurement			
	Balance at December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Millions of dollars		
Common stocks	\$ 169	\$ 169	\$	\$
Fixed income securities	324		324	
Total pension assets	\$ 493	\$ 169	\$ 324	\$

The pension investments that are measured at fair value as of December 31, 2009 are summarized below:

	Pension Investments			
	Basis of Fair Value Measurement			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Balance at December 31, 2009				
Millions of dollars				
Common stocks	\$ 179	\$ 179	\$	\$
Fixed income securities	275		275	
Total Pension Assets	\$ 454	\$ 179	\$ 275	\$

Other Postretirement Benefits We sponsor unfunded defined benefit health care and life insurance plans covering certain eligible retired employees and their spouses. Generally, the medical plans pay a stated percentage of medical expenses reduced by deductibles and other coverage. Life insurance benefits are generally provided by insurance

contracts. We retain the right, subject to existing agreements, to modify or eliminate these benefits.

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Pension and Other Postretirement Benefits (Continued)

The following table provides a reconciliation of benefit obligations of our unfunded other postretirement benefit plans:

	Successor May 1 through December 31, 2010	Predecessor January 1 through April 30, 2010	Predecessor For the Year Ended December 31, 2009
Millions of dollars			
Change in benefit obligation:			
Benefit obligation, beginning of period	\$ 53	\$ 45	\$ 44
Reclassification of plans to Pension	(30)		
Interest cost	1	1	2
Actuarial loss (gain)	(2)	10	4
Benefits paid		(1)	(4)
Foreign exchange effects		(2)	(1)
Benefit obligation, end of period	22	53	45
Change in plan assets:			
Fair value of plan assets, beginning of period			
Employer contributions		1	4
Benefits paid		(1)	(4)
Fair value of plan assets, end of period			
Funded status, end of period	\$ (22)	\$ (53)	\$ (45)

	Successor 2010	Predecessor 2009
Millions of dollars		
Amounts recognized in the Consolidated Balance Sheets consist of:		
Accrued benefit liability, current	\$	\$ (2)
Accrued benefit liability, long-term	(22)	(43)
Funded status, December 31	\$ (22)	\$ (45)

	Successor 2010	Predecessor 2009
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Millions of dollars

Amounts recognized in Accumulated Other Comprehensive Income:

Actuarial and investment gain	\$	(2)	\$	(1)
Prior service cost				
Balance at December 31,	\$	(2)	\$	(1)

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Pension and Other Postretirement Benefits (Continued)**

The following table provides the components of net periodic other postretirement benefit costs:

	Successor May 1 through December 31, 2010	Predecessor January 1 through April 30, 2010	For the Year Ended December 31, 2009	2008
Millions of dollars				
Net Periodic Other Postretirement Benefit Costs:				
Interest cost	\$ 1	\$ 1	\$ 2	\$ 2
Prior service cost (benefit) amortization				(1)
Net periodic benefit cost	\$ 1	\$ 1	\$ 2	\$ 1

For the Canadian plans, the assumed annual rate of increase in the per capita cost of covered health care benefits as of December 31, 2010 was 8.5% for 2011 decreasing 0.5% per year to 5% in 2018 and thereafter. At December 31, 2010, the assumed annual rate of increase was 8.5%. As of December 31, 2009, the assumed annual rate of increase in the per capita cost of covered health care benefits for the Canadian plans was 8.5% for 2010 decreasing 0.5% per year to 5% in 2017 and thereafter. At December 31, 2009, the assumed annual rate of increase was 9.0%. For the French plans, the assumed annual rate of increase in the per capita cost of covered health care benefits as of December 31, 2010 was 3.5% for 2011 with no available trending. The health care cost trend rate assumption does not have a significant effect on the amounts reported due to limits on maximum contribution levels to the medical plans. To illustrate, increasing or decreasing the assumed health care cost trend rates by one percentage point in each year would change the accumulated other postretirement benefit liability as of December 31, 2010 by less than \$3 million and would not have a material effect on the aggregate service and interest cost components of the net periodic other postretirement benefit cost for the year then ended.

The assumptions used in determining the net benefit liabilities for our other postretirement benefit plans were as follows at December 31:

	Successor 2010	Predecessor 2009
Weighted-average assumptions as of December 31:		
Discount rate	5.36%	5.46%
Rate of compensation increase	3.52%	3.58%

The assumptions used in determining net benefit costs for our other postretirement benefit plans were as follows for the following periods:

	Successor May 1 through December 31, 2010	January 1 through April 30, 2010	Predecessor Year Ended December 31, 2009	Year Ended December 31, 2008
Weighted-average assumptions for the year:				
Discount rate	5.22%	5.46%	5.73%	5.30%
Rate of compensation increase	3.46%	3.58%	3.25%	3.11%

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Pension and Other Postretirement Benefits (Continued)**

As of December 31, 2010, future expected benefit payments by our other postretirement benefit plans, which reflect expected future service, as appropriate, were as follows:

Millions of dollars

2011	\$ 1
2012	1
2013	1
2014	1
2015	1
2016 through 2020	6

Accumulated Other Comprehensive Income The following pre-tax amounts were recognized in accumulated other comprehensive income for the following periods:

	Pension Benefits		Other Benefits	
	Actuarial	Prior	Actuarial	Prior
	(Gain)	Service	(Gain)	Service
	Loss	Cost	Loss	Cost
		(Credit)		(Credit)
Millions of dollars				
<u>Predecessor</u>				
January 1, 2009	\$ 44	\$ 3	\$ (6)	\$ (1)
Arising during the period	13	(3)	5	
Amortization included in net periodic benefit cost	5		2	1
(Gain) loss due to settlements	(2)		(2)	
December 31, 2009	60		(1)	
Arising during the period	76		10	
Amortization included in net periodic benefit cost				
(Gain) loss due to settlements and curtailments	(2)	1		
April 30, 2010	\$ 134	\$ 1	\$ 9	\$

Successor

May 1, 2010	\$	\$	\$	\$
Arising during the period	(40)	10	(2)	

December 31, 2010	\$	(40)	\$	10	\$	(2)	\$
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The related deferred income taxes amount to \$3 million and \$4 million as of December 31, 2010 and 2009, respectively. At April 30, 2010 all gains and losses in AOCI and the related deferred income taxes were written off.

At December 31, 2010, AOCI included \$2 million of prior service credit related to our pension plans that is expected to be recognized as a component of net periodic benefit cost in 2011. There are no such amounts in AOCI at December 31, 2010 for other postretirement benefits expected to be recognized in net periodic benefit cost in 2011.

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Pension and Other Postretirement Benefits (Continued)

Pension Claim Two legacy Basell subsidiaries, Basell UK Ltd and Basell Polyolefins UK Ltd were subject to a claim totaling £40.8 million (\$70.4 million) related to exit fees charged by two UK pension funds of a former shareholder. The claims were made following the termination of the membership of these two subsidiaries in these funds in connection with the 2005 acquisition of Basell by Access. These claims were net settled with the two pension funds for £17 million (\$32.1 million) on August 20, 2008. LyondellBasell AF subsequently initiated arbitration proceedings against its former shareholder for indemnification of the net settlement amount. These proceedings were settled in October 2009 for £9.5 million (\$15.7 million), which amount was recognized in the 2009 Consolidated Statement of Income.

18. Incentive and Share-Based Compensation

Medium-Term Incentive Plan Upon the Debtors' emergence from chapter 11 proceedings, we replaced the Predecessor Company's Management Incentive Plan with the 2010 Medium-Term Incentive Plan (MTI). The MTI is designed to link the interests of senior management with the interests of shareholders by tying incentives to measurable corporate performance. The MTI provides for payouts based on our return on assets and cost improvements over the calendar years 2010 through 2012. Benefits under the MTI will vest on the date, following December 31, 2012, on which the Compensation Committee of the Supervisory Board certifies the performance results and will be paid on March 31 following the end of the performance cycle. The MTI provides for an accelerated pro-rata payout in the event of a change in control of the Successor Company. The MTI, which is accounted for as a liability award, is classified in Other liabilities on the Consolidated Balance Sheets. We recorded \$1 million of compensation expense for the eight months ended December 31, 2010 based on the expected achievement of performance results.

Long-Term Incentive Plan Upon the Debtors' emergence from chapter 11 proceedings, we created the 2010 Long-Term Incentive Plan (LTI). Under the LTI, the Compensation Committee is authorized to grant restricted stock, restricted stock units, stock options, stock appreciation rights and other types of equity-based awards of LyondellBasell N.V. The Compensation Committee determines the recipients of the equity awards, the type of award made, the required performance measures, and the timing and duration of each grant. The maximum number of shares of LyondellBasell N.V. stock reserved for issuance under the LTI is 22,000,000. In connection with the Debtors' emergence from bankruptcy, awards were granted to our senior management and we have since granted awards for new hires and promotions. As of December 31, 2010, there were 9,860,818 shares remaining available for issuance.

The LTI awards resulted in compensation expense of \$3 million for the eight months ended December 31, 2010, and no compensation expense for the four months ended April 30, 2010. The tax benefit was \$1 million for the eight months ended December 31, 2010.

Restricted Stock Units Restricted stock units entitle the recipient to be paid out an equal number of class A ordinary shares on the fifth anniversary of the grant date, subject to forfeiture in the event of certain termination events. Restricted stock units are accounted for as an equity award with compensation cost recognized ratably over the vesting period. The holders of the restricted stock units are entitled to dividend equivalents to be settled no later than March 15 following the year in which dividends are paid, as long as the participant is in full employment at the time of payment.

Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Incentive and Share-Based Compensation (Continued)**

The following table summarizes restricted stock unit activity for the eight months ended December 31, 2010 in thousands of units:

	Number of Units	Weighted- Average Price
Outstanding at May 1, 2010		\$
Granted	636	17.61
Paid	(1)	17.61
Forfeited	(142)	17.61
Outstanding at December 31, 2010	493	\$ 17.61

For the eight months ended December 31, 2010, the compensation expense related to the outstanding restricted stock units was \$1 million and the related tax benefit was less than \$1 million. As of December 31, 2010, the unrecognized compensation cost related to restricted stock units was \$8 million, which is expected to be recognized over a weighted-average period of 4 years.

Stock Options Stock options are granted with an exercise price equal to the market price of class A ordinary shares at the date of grant. The stock options are accounted for as an equity award with compensation cost recognized using the graded vesting method. We issued certain Stock options as a price of \$17.61 per share, the fair value of the Company's common stock based on its reorganized value at the date of emergence. The stock options vest in equal increments on the second, third and fourth anniversary of the grant date and have a contractual term of ten years, with accelerated vesting upon death, disability, or change in control and exercise price of \$17.61 per share.

The fair value of each stock option award is estimated, based on several assumptions, on the date of grant using the Black-Scholes option valuation model. Upon adoption of ASC Topic 718 *Stock Compensation*, we modified our methods used to determine these assumptions based on the Securities and Exchange Commission's Staff Accounting Bulletin No. 107. We estimated volatility based on the historic average of the common stock of our peer companies and the historic stock price volatility over the expected term. The fair value and the assumptions used for the 2010 grants are shown in the table below.

Weighted-average Fair Value per share of options granted	\$ 8.86
Fair value assumptions:	
Dividend yield	0.00%
Expected volatility	47%
Risk-free interest rate	2.94
Weighted-average expected term, in years	6.5

Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Incentive and Share-Based Compensation (Continued)**

The following table summarizes stock option activity for the eight months ended December 31, 2010 in thousands of shares for the non-qualified stock options:

Successor	Shares	Weighted-Average Price	Weighted-Average Remaining Term	Aggregate Intrinsic Value
Outstanding at May 1, 2010		\$		
Granted	833	17.61	9.3 years	
Forfeited	(219)	17.61		
Exercised				
Outstanding at December 31, 2010	614	\$ 17.61	9.3 years	\$ 10
Exercisable at December 31, 2010	3	\$ 17.61		\$

Total stock option expense was \$1 million for the eight months ended December 31, 2010. The related tax benefit was less than \$1 million for the eight months ended December 31, 2010. As of December 31, 2010, the unrecognized compensation cost related to non-qualified stock options was \$4 million, which is expected to be recognized over a weighted-average period of 3 years.

Stock Appreciation Rights Certain employees in Europe were granted stock appreciation rights (SARs) under the LTI. SARs gives those employees the right to receive an amount of cash equal to the appreciation in the market value of the Company's class A ordinary shares from the award's grant date to the exercise date. Because the SARs are settled in cash, they are accounted for as a liability award. The SARs vest over three years beginning with the second anniversary of the grant date. We recognized less than \$1 million of compensation expense related to SARs for the eight months ended December 31, 2010.

19. Income Taxes

The significant components of the provision for income taxes are as follows:

	Successor May 1 through December 31, 2010	Predecessor January 1 through April 30, 2010	For the Year Ended December 31, 2009	2008
--	---	--	--	------

Millions of dollars

Current:

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Non-U.S.	\$	105	\$	45	\$	132	\$	186
Deferred:								
Non-U.S.		(51)		(45)		(198)		39
Provision for (benefits from) income taxes before tax effects								
of other comprehensive income		54				(66)		225
Tax effects of elements of other comprehensive income:								
Pension and postretirement liabilities		3		(10)		(1)		(1)
Financial derivatives				(13)				9
Total income tax expense in comprehensive income	\$	57	\$	(23)	\$	(67)	\$	233

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. Income Taxes (Continued)**

The deferred tax effects of tax losses carried forward and the tax effects of temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements, reduced by a valuation allowance where appropriate, are presented below:

	2010	2009
Millions of dollars		
Deferred tax liabilities:		
Accelerated tax depreciation	\$ 363	\$ 469
Investments in joint venture partnerships	29	63
Other intangible assets	28	37
Inventory	80	39
Deferred charges and revenues	77	65
Misc. accrued liabilities		91
Other		26
 Total deferred tax liabilities	 577	 790
Deferred tax assets:		
Net operating loss carryforwards	634	697
Employee benefit plans	97	91
Goodwill	2	2
Deferred charges and revenues		4
Other	72	31
 Total deferred tax assets	 805	 825
Deferred tax asset valuation allowances	(560)	(515)
 Net deferred tax assets	 245	 310
 Net deferred tax liabilities	 \$ 332	 \$ 480
Balance sheet classifications:		
Deferred tax assets current	\$ 65	\$
Deferred tax assets long-term	29	
Deferred income tax liabilities current	4	98
Deferred income tax liabilities long term	422	382
 Net deferred tax liabilities	 \$ 332	 \$ 480

At December 31, 2010 and 2009, the Company had total tax losses carried forward in the amount of \$2,060 million and \$2,319 million, respectively, for which a deferred tax asset was recognized at December 31, 2010 and 2009 of \$634 million and \$697 million, respectively. A valuation allowance of \$560 million and \$515 million was established for these tax losses and other deferred tax assets as of December 31, 2010 and 2009, respectively.

Certain income tax returns of the Company and several of its subsidiaries are under examination by tax authorities. In many cases, these audits may result in proposed assessments. The Company believes that its tax positions comply with applicable tax law and intends to defend its positions through appropriate administrative and judicial processes.

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. Income Taxes (Continued)**

Tax benefits totaling \$22 million, \$39 million and \$18 million relating to uncertain tax positions were unrecognized as of December 31, 2010, 2009, and 2008, respectively. The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits for the years ended December 31:

	Successor May 1	January 1	Predecessor	
	through December 31, 2010	through April 30, 2010	For the Year Ended December 31, 2009	2008
Millions of dollars				
Balance, beginning of period	\$ 45	\$ 39	\$ 18	\$ 20
Currency translation adjustments	1	(3)	1	1
Additions for tax positions of current year			1	
Additions for tax positions of prior years		20	29	17
Reductions for tax positions of prior years	(1)	(11)	(5)	
Cash Settlements	(23)		(5)	(20)
Balance, end of period	\$ 22	\$ 45	\$ 39	\$ 18

The 2010, 2009 and 2008 balances, if recognized subsequent to 2010, would affect the annual effective tax rate. The Company is no longer subject to any significant income tax examination by tax authorities for years prior to 2007 in The Netherlands, Germany, and Italy. We settled a significant percentage of the total amount of unrecognized tax benefits during the fourth quarter of 2010 due to the resolution of a German income tax audit of certain matters that includes years up to and including 2008.

The Company recognizes interest expense and penalties related to uncertain income tax positions in operating expenses. As of December 31, 2009 the Company's accrued liability for interest expense was \$2 million. The Company accrued interest expense of \$2 million in each of the years ended December 31, 2010 and 2009. Interest payments of \$3 million were made in connection with various settlements in the successor period of 2010.

The expiration of the tax losses carried forward and the related deferred tax asset, before valuation allowance, as of December 31, 2010 was as follows:

	Tax Loss Carry Forwards	Gross Deferred Tax on Loss Carry Forwards
Millions of dollars		

Year			
2011	\$	\$	
2012			
2013		3	1
2014		3	1
2015		105	26
Thereafter		1,096	308
Indefinite		853	298
	\$	2,060	\$ 634

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. Income Taxes (Continued)**

Valuation allowances are provided against certain net deferred tax assets and tax losses carried forward in the Canada, France, Japan, Spain, Thailand and the United Kingdom.

In assessing the recoverability of the deferred tax assets, management considers whether it is more likely than not that the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. In order to fully realize the deferred tax assets related to the net operating losses, the Company will need to generate sufficient future taxable income in the countries where these net operating losses exist during the periods in which the net operating losses can be utilized. Based upon projections of future taxable income over the periods in which the net operating losses can be utilized and/or the temporary differences can be reversed, management believes it is more likely than not that the deferred tax assets in excess of the valuation allowance of \$560 million at December 31, 2010 will be realized.

In most cases, deferred taxes have not been provided for possible future distributions of earnings of subsidiaries as such dividends are not expected to be subject to further taxation upon their distribution. Deferred taxes on unremitted earnings of equity investments of \$23 million, \$20 million and \$29 million at December 31, 2010, 2009 and 2008, respectively, have been provided.

The components of income (loss) before income taxes in the various countries and reconciliation of the income tax provision to theoretical income tax computed by applying the Dutch statutory tax rate are as follows:

	Successor May 1 through December 31, 2010	January 1 through April 30, 2010	Predecessor For the Year Ended December 31, 2009	2008
Millions of dollars				
Income (loss) before income taxes:				
Non-U.S.	\$ 714	307	\$ 70	\$ (395)
Theoretical income tax at Dutch statutory rate of 25.5%	183	78	18	(101)
Increase (reduction) resulting from:				
Impairment of goodwill				124
Discharge of debt and other reorganization related items		(245)		
Non-U.S. income taxed at lower statutory rates	(14)	34	12	(94)
Changes in valuation allowances	(117)	176	(105)	212
Non-taxable (income) and non-deductible expenses	(14)	(52)	42	53
Notional royalties	(15)	(8)	(34)	
Other income taxes	41	14	(8)	11
Uncertain tax positions	(1)	9	25	17

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Other, net	(9)	(6)	(16)	3
Income tax provision (benefit)	\$ 54	\$	\$ (66)	\$ 225

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Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****20. Commitments and Contingencies**

Commitments We have various purchase commitments for materials, supplies and services incident to the ordinary course of business, generally for quantities required for our businesses and at prevailing market prices. These commitments are designed to assure sources of supply and are not expected to be in excess of normal requirements. At December 31, 2010, we had commitments of approximately \$5 million related to rebuilding an expanded world-scale high-density polyethylene plant at our Münchsmünster, Germany site. Our other capital expenditure commitments at December 31, 2010 were in the normal course of business.

Financial Assurance Instruments We have obtained letters of credit, performance and surety bonds and have issued financial and performance guarantees to support trade payables, potential liabilities and other obligations. Considering the frequency of claims made against the financial instruments we use to support our obligations, and the magnitude of those financial instruments in light of our current financial position, management does not expect that any claims against or draws on these instruments would have a material adverse effect on our consolidated financial statements. We have not experienced any unmanageable difficulty in obtaining the required financial assurance instruments for our current operations.

Environmental Remediation Our accrued liability for future environmental remediation costs at current and former plant sites and other remediation sites totaled \$70 million as of December 31, 2010. The accrued liabilities for individual sites range from less than \$1 million to \$37 million. The remediation expenditures are expected to occur over a number of years, and not to be concentrated in any single year. In our opinion, it is reasonably possible that losses in excess of the liabilities recorded may have been incurred. However, we cannot estimate any amount or range of such possible additional losses. New information about sites, new technology or future developments such as involvement in investigations by regulatory agencies, could require us to reassess our potential exposure related to environmental matters.

The following table summarizes the activity in the Company's accrued environmental liability included in Accrued liabilities and Other liabilities :

	Successor May 1 through December 31, 2010	Predecessor January 1 through April 30, 2010	Year Ended December 31, 2009
Millions of dollars			
Balance at beginning of period	\$ 60	\$ 66	\$ 63
Additional provisions	11		4
Amounts paid	(1)	(1)	(2)
Foreign exchange effects		(5)	1
Balance at end of period	\$ 70	\$ 60	\$ 66

Litigation and Other Matters On December 20, 2010, we received demand letters from affiliates of Access Industries, a more than five percent shareholder of the Company. The Access affiliates have demanded that we indemnify them and their shareholders, members, affiliates, officers, directors, employees and other related parties for all losses, including attorney's fees and expenses, arising out of a pending lawsuit and pay \$50 million in management fees for 2009 and 2010 in addition to other unspecified amounts related to advice purportedly given in connection with financing and other strategic transactions. We conducted an initial investigation of the facts underlying the demand letters and engaged in discussions with Access. We requested that Access withdraw its demands, and on January 17, 2011, Access declined to withdraw its demands.

In the pending lawsuit, the plaintiffs are seeking damages from numerous parties, including Access and its affiliates. The damages sought from Access and its affiliates include, among other things, the return of all amounts earned by them related to their acquisition of shares of Lyondell Chemical prior to its acquisition by

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Commitments and Contingencies (Continued)

Basell AF S.C.A. in December 2007, distributions by Basell AF S.C.A. to its shareholders before it acquired Lyondell Chemical, and management and transaction fees and expenses.

The Access affiliates assert that our responsibility for indemnity and the claimed fees and expenses arises out of a management agreement entered into on December 11, 2007, between Nell and Basell AF S.C.A. They assert that the Company, as a former subsidiary of Basell AF S.C.A., is jointly and severally liable for Basell AF S.C.A.'s obligations under the agreement, notwithstanding that we were not a signatory to the agreement and the liabilities of Basell AF S.C.A., which was a signatory, were discharged in the LyondellBasell bankruptcy proceedings.

We do not believe that the management agreement is in effect or that the Company or any other Company-affiliated entity owes any obligations under the management agreement. We intend to defend vigorously any proceedings, claims or demands that may be asserted.

We cannot at this time estimate the reasonably possible loss or range of loss that Nell, Access or their affiliates may incur as a result of the lawsuit, and therefore we cannot at this time estimate the reasonably possible loss or range of loss that Nell, Access, or their affiliates may seek from LBIH by way of indemnity.

Indemnification We are parties to various indemnification arrangements, including arrangements entered into in connection with acquisitions, divestitures and the formation of joint ventures. Pursuant to these arrangements, we provide indemnification to and/or receive indemnification from other parties in connection with liabilities that may arise in connection with the transactions and in connection with activities prior to completion of the transactions. These indemnification arrangements typically include provisions pertaining to third party claims relating to environmental and tax matters and various types of litigation. As of December 31, 2010, we had not accrued any significant amounts for our indemnification obligations, and we are not aware of other circumstances that would likely lead to significant future indemnification obligations. We cannot determine with certainty the potential amount of future payments under the indemnification arrangements until events arise that would trigger a liability under the arrangements.

In addition, certain third parties entered into agreements with the Predecessor parent company, LyondellBasell AF, to indemnify LyondellBasell AF for a significant portion of the potential obligations that could arise with respect to costs relating to contamination at the Berre site in France and the Ferrara and Brindisi sites in Italy. These indemnity obligations are currently in dispute. We recognized a pretax charge of \$64 million as a change in estimate in the third quarter 2010 related to the dispute, which arose during that period.

As part of our technology licensing contracts, we give indemnifications to our licensees for liabilities arising from possible patent infringement claims with respect to proprietary licensed technology. Such indemnifications have a stated maximum amount and generally cover a period of five to ten years.

Other We have identified an agreement related to a former project in Kazakhstan under which a payment was made that raises compliance concerns under the U.S. Foreign Corrupt Practices Act (the "FCPA"). We have engaged outside counsel to investigate these activities, under the oversight of the Audit Committee of the Supervisory Board, and to evaluate internal controls and compliance policies and procedures. We made a voluntary disclosure of these matters to the U.S. Department of Justice and are cooperating fully with that agency. We cannot predict the ultimate outcome of

these matters at this time since our investigations are ongoing. In this respect, we may not have conducted business in compliance with the FCPA and may not have had policies and procedures in place adequate to ensure compliance. Therefore, we cannot reasonably estimate a range of liability for any potential penalty resulting from these matters. Violations of these laws could result in criminal and civil liabilities and other forms of relief that could be material to us.

Certain of our non-U.S. subsidiaries conduct business in countries subject to U.S. economic sanctions, including Iran. U.S. and European laws and regulations prohibit certain persons from engaging in business activities, in whole or in part, with sanctioned countries, organizations and individuals. We have made

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LYONDELLBASELL SUBHOLDINGS B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Commitments and Contingencies (Continued)

voluntary disclosure of these matters to the U.S. Treasury Department and intend to cooperate fully with that agency. The ultimate outcome of this matter cannot be predicted at this time because our investigations are ongoing. Therefore, we cannot reasonably estimate a range of liability for any potential penalty resulting from these matters. In addition, we have made the decision to cease all business with the government, entities and individuals in Iran, Syria and Sudan. We have notified our counterparties in these countries of our decision and may be subject to legal actions to enforce agreements with the counterparties. These business activities present a potential risk that could subject the Company to civil and criminal penalties as well as private legal proceedings that could be material to us. We cannot predict the ultimate outcome of this matter at this time because our investigations and withdrawal activities are ongoing.

We and our joint ventures are, from time to time, defendants in lawsuits and other commercial disputes, some of which are not covered by insurance. Many of these suits make no specific claim for relief. Although final determination of any liability and resulting financial impact with respect to any such matters cannot be ascertained with any degree of certainty, we do not believe that any ultimate uninsured liability resulting from these matters will, individually or in the aggregate, have a material adverse effect on the financial position, liquidity or results of operations of the Company.

General In our opinion, the matters discussed in this note are not expected to have a material adverse effect on the financial position or liquidity of the Company. However, the adverse resolution in any reporting period of one or more of these matters could have a material impact on our results of operations for that period, which may be mitigated by contribution or indemnification obligations of others, or by any insurance coverage that may be available.

21. Stockholder s Equity

Common Stock Pursuant to the Plan of Reorganization, in April 2010, we issued 10,018 thousand ordinary shares, each with a par value of \$1. On December 31, 2010, we had authorized share capital of \$50 million comprising 50 million \$1 par value ordinary shares, of which 10,018 thousand ordinary shares were outstanding.

Non-controlling Interests The non-controlling interest represents unrelated investors' 16.21% interest in a partnership that owns the Saudi Al-Waha Petrochemicals Ltd. LBIH B.V. owns the remaining 83.79% interest. Non-controlling interest was \$13 million and \$18 million at December 31, 2010 and 2009, respectively. In connection with application of push-down accounting on May 1, 2010, we recorded non-controlling interest impairment of \$5 million (see Note 4).

Table of Contents**LYONDELLBASELL SUBHOLDINGS B.V.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****21. Stockholder s Equity (Continued)**

Accumulated Other Comprehensive Income (Loss) The component of accumulated other comprehensive income (loss) were as follows:

Millions of dollars**Successor****December 31, 2010**

Pension and postretirement liabilities	\$ 28
Foreign currency translation	109
Total	\$ 137

Predecessor**December 31, 2009**

Pension and postretirement liabilities	\$ (57)
Financial derivatives	61
Foreign currency translation	(110)
Unrealized gains on available-for-sale securities	13
Total	\$ (93)

22. Subsequent Events

On May 31, 2011, LB Subholdings announced its intention to seek a buyer for the Berre refinery in France.

We have evaluated subsequent events through the date the financial statements were issued.

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ANNEX A:
LETTER OF TRANSMITTAL
TO TENDER
\$1,822,500,000 8% SENIOR SECURED NOTES DUE 2017
303,750,000 8% SENIOR SECURED NOTES DUE 2017
OF
LYONDELL CHEMICAL COMPANY
PURSUANT TO THE EXCHANGE OFFER AND PROSPECTUS
DATED SEPTEMBER 15, 2011

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 A.M., NEW YORK CITY TIME, ON OCTOBER 13, 2011, UNLESS THE EXCHANGE OFFER IS EXTENDED BY LYONDELL CHEMICAL COMPANY IN ITS SOLE DISCRETION.

The Exchange Agent for the Exchange Offer is:

For Exchange Dollar Notes Deutsche Bank Trust Company Americas
For Exchange Euro Notes Deutsche Bank AG, London Branch

Deliver To:

For Exchange Dollar Notes:

By Registered or Certified Mail:	By Facsimile Transmission:	By Overnight Courier or Hand Delivery:
Deutsche Bank Trust Company Americas DB Services Americas, Inc. MS JCK01-0218 5022 Gate Parkway, Suite 200 Jacksonville, FL 32256 Attn: Trust & Securities Services Telephone: (800) 735-7777 (Option #1)	(615) 866-3889 <i>To Confirm by Telephone:</i> (800) 735-7777 (Option #1)	Deutsche Bank Trust Company Americas DB Services Americas, Inc. MS JCK01-0218 5022 Gate Parkway, Suite 200 Jacksonville, FL 32256 Attn: Trust & Securities Services Telephone: (800) 735-7777 (Option #1)

For Exchange Euro Notes:

By Registered or Certified Mail:	By Facsimile Transmission:	By Overnight Courier or Hand Delivery:
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Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street,
London, EC2N 2DB
England

+44 (207) 547-5001

To Confirm by Telephone:

+44 (207) 547-5000

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street,
London, EC2N 2DB
England

Attn: Trust & Securities Services

Telephone: +44 (207) 547-5000

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN THE ONE LISTED ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

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The undersigned hereby acknowledges receipt of the Prospectus dated September 15, 2011, (the Prospectus) of Lyondell Chemical Company (the Company) and this letter of transmittal and the instructions hereto (the Letter of Transmittal), which together constitute the Company's offer (the Exchange Offer) to exchange each \$1,000 principal amount (in minimum denominations of \$100,000 and integral multiples of \$1,000 thereafter) of its 8% Senior Secured Notes due 2017 (the Exchange Dollar Notes) and each 1,000 principal amount (in minimum denominations of 50,000 and integral multiples of 1,000 thereafter) of its 8% Senior Secured Notes due 2017 (the Exchange Euro Notes, and together with the Exchange Dollar Notes, the Exchange Notes), each of which have registered under the U.S. Securities Act of 1933, as amended (the Securities Act), for each \$1,000 principal amount (in minimum denominations of \$100,000 and integral multiples of \$1,000 thereafter) of its outstanding 8% Senior Secured Notes due 2017 (the Outstanding Dollar Notes) and each 1,000 principal amount (in minimum denominations of 50,000 and integral multiples of 1,000 thereafter) of its outstanding 8% Senior Secured Notes due 2017 (the Outstanding Euro Notes, and together with the Outstanding Dollar Notes, the Outstanding Notes), respectively. The terms of the Exchange Notes are identical in all material respects to the terms of the Outstanding Notes, except that the Exchange Notes have been registered under the Securities Act and do not contain restrictions on transfer, registration rights or provisions for additional interest.

There are currently Outstanding Dollar Notes and Outstanding Euro Notes in the aggregate principal amounts of \$2,025,000,000 and 337,500,000, respectively. \$202,500,000 Outstanding Dollar Notes and 33,750,000 Outstanding Euro Notes have been called for redemption on March 30, 2011. All Outstanding Notes subject to the partial redemption are not eligible to be tendered in the Exchange Offer.

The term Expiration Date shall mean 12:00 a.m., New York City time, on October 13, 2011, unless the Company, in its sole discretion, extends the Exchange Offer, in which case the term shall mean the latest date and time to which the Exchange Offer is extended.

Because all of the Outstanding Notes are held in book-entry accounts maintained by the Exchange Agent at The Depository Trust Company (DTC), or through Euroclear Bank S.A./N.V. as operator of the Euroclear System (Euroclear) or Clearstream, Luxembourg, a holder need not manually execute this Letter of Transmittal, provided, however, that tenders of Outstanding Notes must be effected in accordance with the procedures mandated by DTC's Automated Tender Offer Program (ATOP) or by Euroclear or Clearstream, Luxembourg, as the case may be. However, all holders who exchange their Outstanding Notes for Exchange Notes in accordance with the procedures outlined in the Prospectus will be deemed to have acknowledged receipt of, and agreed to be bound by, and to have made all of the representations and warranties contained in the Letter of Transmittal.

YOUR BANK OR BROKER CAN ASSIST YOU IN COMPLETING THIS FORM. THE INSTRUCTIONS INCLUDED WITH THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE PROSPECTUS AND THIS LETTER OF TRANSMITTAL MAY BE DIRECTED TO THE EXCHANGE AGENT.

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List below the notes to which this Letter of Transmittal relates. If the space indicated below is inadequate, the Certificate or Registration Numbers and Principal Amounts should be listed on a separately signed schedule affixed hereto.

DESCRIPTION OF OUTSTANDING DOLLAR NOTES TENDERED HEREBY

Name(s) and Address(es) of	Certificate or	Aggregate Principal Amount	Principal
Registered Owner(s)	Registration	Represented	Amount
(Please Fill in)	Numbers*	by Outstanding Notes	Tendered**

Total Principal Amount Tendered

* Need not be completed by book-entry Holders.

** Unless otherwise indicated, the Holder will be deemed to have tendered the full aggregate principal amount represented by such Outstanding Notes. All tenders must be in a minimum denomination of \$100,000 and integral multiples of \$1,000 thereafter.

DESCRIPTION OF OUTSTANDING EURO NOTES TENDERED HEREBY

Name(s) and Address(es) of	Certificate or	Aggregate Principal Amount	Principal
Registered Owner(s)	Registration	Represented	Amount
(Please Fill in)	Numbers*	by Outstanding Notes	Tendered**

Total Principal Amount Tendered

- * Need not be completed by book-entry Holders.
- ** Unless otherwise indicated, the Holder will be deemed to have tendered the full aggregate principal amount represented by such Outstanding Notes. All tenders must be in a minimum denomination of \$50,000 and integral multiples of \$1,000 thereafter.

This Letter of Transmittal is to be used if certificates of Outstanding Notes are to be forwarded herewith. Delivery of documents to a book-entry transfer facility does not constitute delivery to the Exchange Agent.

The term "Holder" with respect to the Exchange Offer means any person in whose name Outstanding Notes are registered on the books of the Company or any other person who has obtained a properly completed bond power from the registered holder. The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer. Holders who wish to tender their Outstanding Notes must complete this letter in its entirety.

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- o **CHECK HERE IF OUTSTANDING NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING:**

Name of Tendering
Institution

Account
Number

Transaction Code
Number

- o **CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.**

Name

Address

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PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the principal amount of the Outstanding Notes indicated above. Subject to, and effective upon, the acceptance for exchange of such Outstanding Notes tendered hereby, the undersigned hereby exchanges, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Outstanding Notes as are being tendered hereby, including all rights to accrued and unpaid interest thereon as of the Expiration Date. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that said Exchange Agent acts as the agent of the Company in connection with the Exchange Offer) to cause the Outstanding Notes to be assigned, transferred and exchanged. The undersigned represents and warrants that it has full power and authority to tender, exchange, assign and transfer the Outstanding Notes and to acquire Exchange Notes issuable upon the exchange of such tendered Outstanding Notes, and that when the same are accepted for exchange, the Company will acquire good and unencumbered title to the tendered Outstanding Notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim.

The undersigned represents to the Company that (i) the Exchange Notes acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the person receiving such Exchange Notes, whether or not such person is the undersigned and (ii) neither the undersigned nor any such other person is engaged or intends to engage in, or has an arrangement or understanding with any person to participate in, the distribution of such Exchange Notes. If the undersigned or the person receiving the Exchange Notes covered hereby is a broker-dealer that is receiving the Exchange Notes for its own account in exchange for Outstanding Notes that were acquired by it as a result of market-making activities or other trading activities, the undersigned acknowledges that it or such other person will deliver a prospectus in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. The undersigned and any such other person acknowledge that, if they are participating in the Exchange Offer for the purpose of distributing the Exchange Notes, (i) they must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale transaction and (ii) failure to comply with such requirements in such instance could result in the undersigned or any such other person incurring liability under the Securities Act for which such persons are not indemnified by the Company. The undersigned or the person receiving the Exchange Notes covered by this letter represents and warrants that it is not an affiliate (as defined under Rule 405 of the Securities Act) of the Company or if the Holder or such recipient is an affiliate, that the Holder or such recipient understands and acknowledges that such Exchange Notes may not be offered for resale, resold or otherwise transferred by the undersigned or such other person without registration under the Securities Act or an exemption therefrom.

The undersigned also warrants that it will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the exchange, assignment and transfer of tendered Outstanding Notes or transfer ownership of such Outstanding Notes on the account books maintained by a book-entry transfer facility.

The Exchange Offer is subject to certain conditions set forth in the Prospectus under the caption The Exchange Offer Conditions. The undersigned recognizes that as a result of these conditions (which may be waived, in whole or in part, by the Company), as more particularly set forth in the Prospectus, the Company may not be required to exchange any of the Outstanding Notes tendered hereby and, in such event, the Outstanding Notes not exchanged will be returned to the undersigned at the address shown below the signature of the undersigned.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and every obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Tendered Outstanding Notes may be withdrawn at any time prior to the Expiration Date.

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Unless otherwise indicated in the box entitled **Special Registration Instructions** or the box entitled **Special Delivery Instructions** in this Letter of Transmittal, certificates for all Exchange Notes delivered in exchange for tendered Outstanding Notes, and any Outstanding Notes delivered herewith but not exchanged, will be registered in the name of the undersigned and shall be delivered to the undersigned at the address shown below the signature of the undersigned. If an Exchange Note is to be issued to a person other than the person(s) signing this Letter of Transmittal, or if an Exchange Note is to be mailed to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal at an address different than the address shown on this Letter of Transmittal, the appropriate boxes of this Letter of Transmittal should be completed. If Outstanding Notes are surrendered by Holder(s) that have completed either the box entitled **Special Registration Instructions** or the box entitled **Special Delivery Instructions** in this Letter of Transmittal, signature(s) on this Letter of Transmittal must be guaranteed by an Eligible Institution (defined in Instruction 3).

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SPECIAL REGISTRATION INSTRUCTIONS

To be completed ONLY if the Exchange Notes are to be issued in the name of someone other than the undersigned.
(See Instruction 4)

Name:

Address:

Book-Entry Transfer Facility Account:

Employer Identification or Social Security Number:

(Please Print or Type)

SPECIAL DELIVERY INSTRUCTIONS

To be completed ONLY if the Exchange Notes are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown in the box entitled Description of Outstanding Dollar Notes Tendered Hereby or Description of Outstanding Euro Notes Tendered Hereby . (See Instruction 4)

Name:

Address:

Employer Identification or Social Security Number:

(Please Print or Type)

Registered Holders of Outstanding Notes Sign Here

X

X

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Must be signed by registered holder(s) exactly as name(s) appear(s) on the Outstanding Notes or on a security position listing as the owner of the Outstanding Notes or by person(s) authorized to become registered holder(s) by properly completed bond powers transmitted herewith. If signature is by attorney-in-fact, trustee, executor, administrator, guardian, officer of a corporation or other person acting in a fiduciary capacity, please provide the following information (Please print or type:)

Name and Capacity (full title)

Address (including zip code)

(Area Code and Telephone Number)

(Taxpayer Identification or Social Security No.)

Dated: __, 2011

**SIGNATURE GUARANTEE
(If Required See Instruction 3)**

(Signature of Representative of Signature Guarantor)

(Name and Title)

(Name of Plan)

(Area Code and Telephone Number)

Dated: __, 2011

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**INSTRUCTIONS
FORMING PART OF THE TERMS AND
CONDITIONS OF THE EXCHANGE OFFER**

1. Delivery of this Letter of Transmittal and Certificates. All physically delivered Outstanding Notes or confirmation of any book-entry transfer to the Exchange Agent's account at a book-entry transfer facility of Outstanding Notes tendered by book-entry transfer, as well as a properly completed and duly executed copy of this Letter of Transmittal or facsimile thereof (or compliance with the procedures of DTC, Euroclear or Clearstream, Luxembourg with respect to the tender of Outstanding Notes), and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at its address set forth herein on or prior to the Expiration Date. The method of delivery of this Letter of Transmittal, the Outstanding Notes and any other required documents is at the election and risk of the Holder, and except as otherwise provided below, the delivery will be deemed made only when actually received by the Exchange Agent. If such delivery is by mail, it is suggested that registered mail with return receipt requested, properly insured, be used.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering Holders, by execution of this Letter of Transmittal (or facsimile thereof) or otherwise complying with the tender procedures set forth in the Prospectus, shall waive any right to receive notice of the acceptance of the Outstanding Notes for exchange.

Delivery to an address other than as set forth herein, or instructions via a facsimile number other than the ones set forth herein, will not constitute a valid delivery.

2. Partial Tenders; Withdrawals. If less than the entire principal amount of Outstanding Notes evidenced by a submitted certificate is tendered, the tendering Holder should fill in the principal amount tendered in the column entitled "Principal Amount Tendered" in the box entitled "Description of Outstanding Dollar Notes Tendered Hereby" or "Description of Outstanding Euro Notes Tendered Hereby". A newly issued Outstanding Note for the principal amount of Outstanding Notes submitted but not tendered will be sent to such Holder as soon as practicable after the Expiration Date. All Outstanding Notes delivered to the Exchange Agent will be deemed to have been tendered in full unless otherwise indicated.

Outstanding Notes tendered pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date, after which tenders of Outstanding Notes are irrevocable. To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Exchange Agent or the Holder must otherwise comply with the withdrawal procedures of DTC, Euroclear or Clearstream, Luxembourg as described in the Prospectus. Any such notice of withdrawal must (i) specify the name of the person having deposited the Outstanding Notes to be withdrawn (the "Depositor"), (ii) identify the Outstanding Notes to be withdrawn (including the registration number(s) and principal amount of such Outstanding Notes, or, in the case of Outstanding Notes transferred by book-entry transfer, the name and number of the account at DTC, Euroclear or Clearstream, Luxembourg, to be credited), (iii) be signed by the Holder in the same manner as the original signature on this Letter of Transmittal (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the Trustee with respect to the Outstanding Notes register the transfer of such Outstanding Notes into the name of the person withdrawing the tender and (iv) specify the name in which any such Outstanding Notes are to be registered, if different from that of the Depositor. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Company, whose determination shall be final and binding on all parties. Any Outstanding Notes so withdrawn will be deemed not to have been validly tendered for purposes of the Exchange Offer and no Exchange Notes will be issued with respect thereto unless the Outstanding Notes so withdrawn are validly retendered. Any Outstanding Notes which have been tendered but which are not accepted for exchange will be returned to the Holder thereof without cost to such Holder as soon as practicable after withdrawal, rejection of tender or termination of Exchange Offer.

3. Signature on this Letter of Transmittal; Written Instruments and Endorsements; Guarantee of Signatures. If this Letter of Transmittal is signed by the registered Holder(s) of the Outstanding Notes tendered hereby, the signature must correspond with the name(s) as written on the face of the certificates without alteration or enlargement or any change whatsoever. If this Letter of Transmittal is signed by a participant in DTC, Euroclear or Clearstream, Luxembourg, the signature must correspond with the name as it appears on the security position listing as the owner of the Outstanding Notes.

If any of the Outstanding Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

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If a number of Outstanding Notes registered in different names are tendered, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of Outstanding Notes.

Signatures on this Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority, a commercial bank or trust company having an office or correspondent in the United States or an eligible guarantor institution within the meaning of Rule 17A-15 under the Exchange Act (each an Eligible Institution) unless the Outstanding Notes tendered hereby are tendered (i) by a registered Holder who has not completed the box entitled Special Registration Instructions or Special Delivery Instructions on the Letter of Transmittal or (ii) for the account of an Eligible Institution.

If this Letter of Transmittal is signed by the registered Holder or Holders of Outstanding Notes (which term, for the purposes described herein, shall include a participant in DTC, Euroclear or Clearstream, Luxembourg whose name appears on a security listing as the owner of the Outstanding Notes) listed and tendered hereby, no endorsements of the tendered Outstanding Notes or separate written instruments of transfer or exchange are required. In any other case, the registered Holder (or acting Holder) must either properly endorse the Outstanding Notes or transmit properly completed bond powers with this Letter of Transmittal (in either case, executed exactly as the name(s) of the registered Holder(s) appear(s) on the Outstanding Notes, and, with respect to a participant in DTC, Euroclear or Clearstream, Luxembourg whose name appears on a security position listing as the owner of Outstanding Notes, exactly as the name of the participant appears on such security position listing), with the signature on the Outstanding Notes or bond power guaranteed by an Eligible Institution (except where the Outstanding Notes are tendered for the account of an Eligible Institution).

If this Letter of Transmittal, any certificates or separate written instruments of transfer or exchange are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority so to act must be submitted.

4. Special Registration and Delivery Instructions. Tendering Holders should indicate, in the applicable box, the name and address (or account at DTC, Euroclear or Clearstream, Luxembourg, as applicable) in which the Exchange Notes or substitute Outstanding Notes for principal amounts not tendered or not accepted for exchange are to be issued (or deposited), if different from the names and addresses or accounts of the person signing this Letter of Transmittal. In the case of issuance in a different name, the employer identification number or social security number of the person named must also be indicated and such person must properly complete an Internal Revenue Service Form W-9, a Form W-8BEN, a Form W-8ECI, or a Form W-8IMY, as appropriate. Such forms may be obtained by contacting the Exchange Agent at the address on the face of this Letter of Transmittal. In addition, the tendering Holder should complete the applicable box.

If no instructions are given, the Exchange Notes (and any Outstanding Notes not tendered or not accepted) will be issued in the name of and sent to the acting Holder of the Outstanding Notes or deposited at such Holder's account at DTC, Euroclear or Clearstream, Luxembourg, as applicable.

5. Transfer Taxes. The Company shall pay all transfer taxes, if any, applicable to the transfer and exchange of Outstanding Notes to it or its order pursuant to the Exchange Offer. If a transfer tax is imposed for any reason other than the transfer and exchange of Outstanding Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered Holder or any other person) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exception therefrom is not submitted herewith, the amount of such transfer taxes will be collected from the tendering Holder by the Exchange Agent.

Except as provided in this Instruction 5, it will not be necessary for transfer stamps to be affixed to the Outstanding Notes listed in this Letter of Transmittal.

6. Waiver of Conditions. The Company reserves the right, in its reasonable judgment, to waive, in whole or in part, any of the conditions to the Exchange Offer set forth in the Prospectus.

7. Mutilated, Lost, Stolen or Destroyed Outstanding Notes. Any Holder whose Outstanding Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

8. Requests for Assistance or Additional Copies. Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter of Transmittal, may be directed to the Exchange Agent at

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the address and telephone number(s) set forth above. In addition, all questions relating to the Exchange Offer, as well as requests for assistance or additional copies of the Prospectus and this Letter of Transmittal, may be directed by telephone to the Exchange Agent at (+44) 20 7508 3866.

9. Validity and Form. All questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered Outstanding Notes and withdrawal of tendered Outstanding Notes will be determined by the Company in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any and all Outstanding Notes not properly tendered or any Outstanding Notes the Company's acceptance of which would, in the opinion of counsel for the Company, be unlawful. The Company also reserves the right, in its reasonable judgment, to waive any defects, irregularities or conditions of tender as to particular Outstanding Notes. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions in this Letter of Transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Outstanding Notes must be cured within such time as the Company shall determine. Although the Company intends to notify Holders of defects or irregularities with respect to tenders of Outstanding Notes, neither the Company, the Exchange Agent nor any other person shall incur any liability for failure to give such notification. Tenders of Outstanding Notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Outstanding Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering Holder as soon as practicable following the Expiration Date.

10. No Guarantee of Late Delivery. There is no procedure for guarantee of late delivery in the Exchange Offer.

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A FACSIMILE THEREOF (TOGETHER WITH OUTSTANDING NOTES) OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS MUST BE RECEIVED BY THE EXCHANGE AGENT ON OR PRIOR TO THE EXPIRATION DATE.

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LYONDELL CHEMICAL COMPANY

OFFER TO EXCHANGE

\$1,822,500,000 8% SENIOR SECURED NOTES DUE 2017
303,750,000 8% SENIOR SECURED NOTES DUE 2017

FOR

\$1,822,500,000 8% SENIOR SECURED NOTES DUE 2017
303,750,000 8% SENIOR SECURED NOTES DUE 2017