

Debtors' Motion for an Order Authorizing Chemtura Corporation to Enter into a Settlement Stipulation Regarding the Return of Funds Transferred Prepetition (the "Securities Stipulation Motion").

By the Securities Stipulation Motion, Chemtura Corporation ("Chemtura") seeks authorization to enter into a stipulation (the "Securities Stipulation") with the Lead Plaintiffs (as defined below) in the action *In re Crompton Corp. Securities Litigation*, No. 3:03-CV-1293 (EBB) (the "Action") and the Escrow Agents (as defined below) pursuant to which \$9,292,500 will be returned to the Debtors' estates.

On July 20, 2004, Pierre Brull and William Ashe (the "Lead Plaintiffs") filed a complaint alleging that between October 26, 1998 and October 8, 2002, Chemtura and its co-defendants issued materially false and misleading statements concerning Chemtura's financial results, pricing, sales and margins. In August 2006, the Lead Plaintiffs, Chemtura and the other co-defendants (the "Parties") agreed to mediate the dispute. After the mediation, the Parties agreed to settle the Action for \$20,650,000 (the "Settlement Amount"). Chemtura was liable for \$9,292,500 of the Settlement Amount. The Parties entered into a stipulation and agreement of settlement dated as of November 28, 2008 pursuant to which the Parties agreed to fully dispose of the Action and any and all claims against Chemtura and the co-defendants (the "Settlement Agreement").

On December 23, 2008 and January 26, 2009, in accordance with the Settlement Agreement, Chemtura made payments totaling \$9,292,500¹ (the "Prepetition Payments") to Murray Frank & Sailer LLP and Barroway Topaz Kessler Meltzer & Check, LLP (the "Escrow Agents"). Because the Prepetition Payments were made within ninety days of Chemtura's bankruptcy filing, the Debtors believe such payments are preferential transfers under Bankruptcy Code section 547. Accordingly, on June 23, 2009, Chemtura issued a demand letter for the return of the Prepetition Payments. In response to the demand, the Lead Plaintiffs have agreed to enter into the Securities Stipulation with Chemtura and the Escrow Agents to return the Prepetition Payments to Chemtura.

The Debtors contend that as a result of the Securities Stipulation, the Lead Plaintiffs may pursue claims against Chemtura in the Debtors' chapter 11 cases, but the Debtors believe that such claims will be subject to subordination under Bankruptcy Code section 510(b). The Debtors submit that once the Prepetition Payments are returned from the Escrow Agents, it is possible that the Lead Plaintiffs will prosecute the Action against the individual defendants. Should that occur, Chemtura reserves its rights to seek a stay of such litigation from the court.

The Debtors believe approval of the Securities Stipulation is reasonable and in the best interests of the Debtors' estates because the Securities Stipulation (i) allows the Debtors to avoid commencing an adversary proceeding to determine whether the Prepetition Payments are recoverable preferential transfers under Bankruptcy Code section 547 and (ii) provides for the recovery of nearly \$10 million for the benefit of Chemtura's creditors.

¹ The remaining balance of the Settlement Amount was paid to the Escrow Agents by American Insurance Group.

The Securities Stipulation Motion has been scheduled for presentment on October 27, 2009 at 12:00 p.m. (ET), with a corresponding objection deadline of October 20, 2009 at 4:00 p.m. (ET).