



This 3DAdvisors Report Covers:

- ✓ **Insider Trading:** Insider Trading Behavior
- Accounting:** Quality of Earnings Issues
- Governance:** Corporate Governance Issues

Insider Research Bulletin

March 27, 2007

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Insider Research Bulletin describes significant insider trading behavior that we have identified at the following companies and is a summary of the first step in our research process. The next step is that these same companies will undergo a review of accounting and governance behavior, and if we identify indicative behavior in one or both areas, then a “full 3DA research report” will be published on that company. Note: Inclusion of a company in this report by itself does not necessarily mean a full research report will be published. The ▲ symbol indicates that we have observed trading behavior that suggests a bullish sentiment.

Insider Research Bulletin is published periodically and exclusively for 3DA Research subscribers.

Companies in this Bulletin

- ▶ Forest Laboratories Inc. (NYSE: FRX)
- ▶ Lyondell Chemical Co. (NYSE: LYO)

Discussion of 3DAdvisors Findings

Forest Laboratories Inc. (NYSE: FRX)

Although Forest Laboratories’ management would apparently like us to believe the recent round of profit taking was attributable to the retirement and estate planning of certain high-ranking officers, we have good reason to suspect that general consensus amongst the senior management team may be that FRX shares are fully valued at current market prices. In addition to the unprecedented round of insider sales that occurred in the fourth quarter, the Company has put the brakes on its share repurchase program just as the recent termination of a highly-anticipated drug in late stage development has raised significant earnings and revenue growth questions.

When Forest Laboratories reported fiscal third quarter 2007 earnings on January 17th, the Company shied away from discussing its collaboration with Replidyne Inc. (NASDAQ: RDYN) on the development of Orapem (Faropenem), a highly anticipated oral treatment for pneumonia, bronchitis and sinusitis and instead, redirected analysts’ attention to the 28% earnings gains and raised guidance for the following quarter.

Although the Food and Drug Administration had already issued a non-approvable letter for Orapem, forcing two years of additional testing, Forest gave no indication of the significance of any related issues, only to comment that it was still gathering information and that a decision would come in the upcoming months. That decision came sooner than expected in the form of a February 6th press release¹ (no SEC 8-K filed) announcing little more than that the collaboration had been terminated. This prompted one sell-side analyst to lower his rating from “hold” to “sell”, estimating that the delay of Faropenem will cut \$300 million from Forest’s revenues in fiscal 2008, rendering current valuations unjustifiable. Meanwhile, a variety of signals from FRX management, with regards to its share ownership, tend to support his argument.

Forest Labs first hit our radar back in November of 2006 when former president and chief operating officer **Kenneth Goodman** surfaced with his largest sale on record, 3 million shares, shortly after announcing that at year-end he would be stepping down from his executive role after serving the Company for 26 years. The move came as a shock to many on the Street as it was widely believed Goodman would run the Company when Chairman, CEO **Howard Solomon** (79) decides to retire. All signs point to this being a voluntary and amicable separation as Goodman plans to remain on the board and “make his wealth of experience and talents available to FRX in that capacity for many years to come”, which leaves us to question the motive behind distributing 76% of his ownership. In an interesting twist, it would seem that the board, without issuing any formal disclosure, approved the acceleration of all Goodman’s unvested stock options ahead of his scheduled resignation date. He then wasted no time monetizing every last stock option in his possession.

Figure 1. FRX Daily Closing Price, 03/01/06 through 03/26/07. Green diamonds are where Director Kenneth Goodman sold shares; Red diamond is where CEO Howard Solomon sold shares. Source: Reuters and FRX SEC Filings.



¹ “Forest Laboratories Announces Termination of Agreement for Faropenem”, PRNewswire-First Call, February 6, 2007.

The insider profile became even more intriguing when CEO Solomon subsequently unloaded 4.3 million shares into the sell-off that resulted from the Faropenem partnership termination news. At the time of his February 12th sale, FRX shares were down 10% from the recently-established 52-week highs and showed no signs of reversing course. Solomon's decision to cash out 47% of his total actionable ownership did little to placate investors looking for reassurances that the volatility was only a short-term correction. In fact, Solomon sold more of his ownership in February than he had in any one-year period dating back to 1994. The Company actually took pre-emptive measures to warn the investor community by issuing a press release² after the market close two days before the transaction was filed. Included in the release was a personal account of the sale issued by Solomon:

"I have reached an age when it is necessary for me to further an estate plan that properly provides for my family and causes that I support. These share dispositions are being undertaken solely for those purposes. My remaining substantial equity position reflects my commitment to continue to maintain my current active role at Forest and my confidence that Forest's business plan will continue to increase and maximize shareholder value for many years."

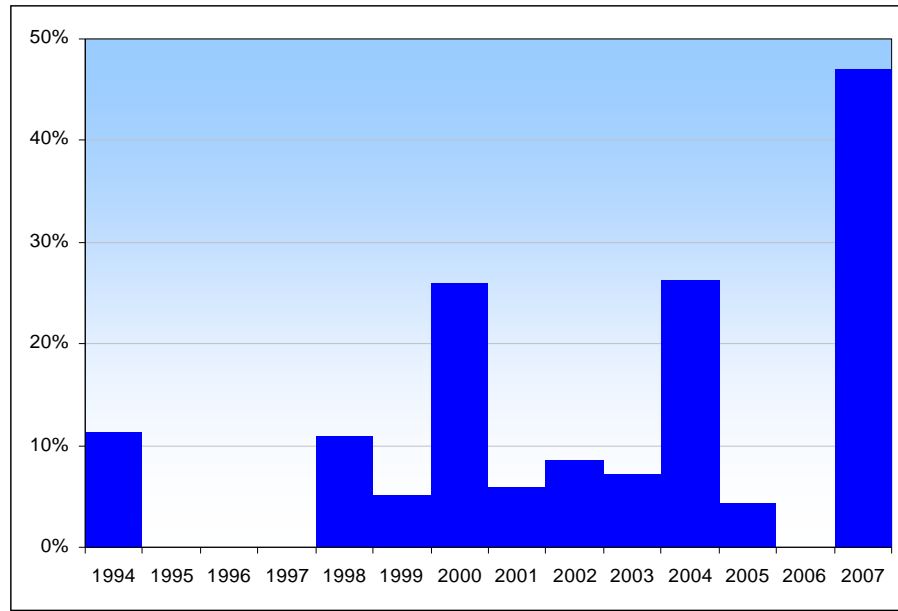
Estate planning aside, there is little justification for the timing of his sale. We also have to wonder why, if he was so confident in the Company's prospects, he had opted to take the \$226 million in cash rather than come up with a more creative plan to pass down FRX shares to his heirs. For instance, had he believed the shares were undervalued after the downturn, one interesting option would have involved depositing the shares into a Grantor Retained Annuity Trust (GRAT) which would have minimized the gift and estate taxes for him and his beneficiaries. But again, there are additional reasons to suspect the general insider consensus is more bearish than bullish at this time. For one, a number of senior officers followed Solomon's lead, cashing out significant percentages of their ownership, and the manner in which they did so is quite telling.

With the shares trading off their highs, four executives surfaced with their largest sales on record, shedding on average more than 50% of their ownership. Details of their trades can be found below. One veteran board member, **Lester Salans**, who sits on both the Audit and Compensation Committees, sold on February 26th at \$55 and then increased his sales on March 16th after the shares had traded down to \$51. Probably most notable to us, however, was the activity of Director Goodman and Vice President of Licensing **Mary Prehn**, who each monetized stock options not set to expire for six years which yielded very slight pre-tax profits of 11 to 12%, well below the average spread we are accustomed to with regards to most insider option-related sales. We have always held that insiders who monetize options close to the market price (skimming) anticipate further price weakness which will effectively put their options at risk of falling out of the money. We should note that, according to Forest Laboratories' 1998, 2000 and 2004 Stock Option Plans, the only *requirement* for exiting executives and directors to exercise their stock options is to do so within 30 days from the time they cease being an

² "Forest Laboratories Announces Rule 144 Sale by Executive Officer", PRNewswire-First Call, February 12, 2007.

employee. Clearly, Director Goodman was not obligated to act by decree since he remains on the board.

Figure 2. Annual Percentage of Ownership Sold by Chairman, CEO Howard Solomon.
Source: FRX SEC Filings.



A closer examination of comments issued by management on the past two conference calls reveals further confirmation that, given recent circumstances, FRX share valuation may be its upper limits:

On the October 17th fiscal 2Q call, Goodman was asked at what price level the Company would no longer find buying back shares lucrative. His response:

Ken Goodman (former President, COO and current Director):

In terms of the share repurchase, we are pretty much at about a breakeven at the current price, around where we are right now. Obviously, it fluctuates based on interest rates and such. So there's no exact number out there, but it is somewhere in the current area.

The morning of the conference call, Forest Laboratories shares opened above \$52. On the more recent January 16th fiscal 3Q call, management was presented with the same question.

Frank Perier (CFO): With regard to share repurchase, yes, our break even point is right around \$50.

Analyst: And then lastly, on share repurchases, are you still assuming no additional share repurchases in that fiscal '07 guidance?

Larry Olanoff (President, COO): Based upon where we are today, that's a safe assumption.

After repurchasing 7.2 million shares in the fiscal quarter that ended in September and just 1.3 million in the December quarter, it appears likely the Company has not bought back any of the 14 million shares still available under the existing repurchase plan this quarter. So, not only has management divulged that the Company is not willing to pay more than \$50 for its shares, but its actions have also implied that that price range is also an opportune exit point as well.

A number of Forest Labs supporters have downplayed the Faropenem announcement, saying the news is already figured into the share price. This very well might be true, but a read through the third quarter conference call transcript gives one the sense there may be additional earnings quality risks that could surface. After providing candid and up-front answers to guidance-related questions on the 2Q conference call, the subsequent release, and conference, left analysts with a number of unanswered questions regarding future expenditures. It is possible that management was taking a cautious approach due to the lack of visibility in connection with the Replidyne partnership. However, certain unwillingness to answer any questions pertaining to fiscal 2008 was telling. Then again, never before on a 3Q conference call had analysts raised as many questions about the following fiscal year's financials.

There are a few additional governance and Section 16 reporting issues we uncovered which are worth pointing out.

- **Future Leadership Questions:** As we mentioned, it has been widely assumed that Kenneth Goodman would be the successor to the top position upon Howard Solomon's imminent retirement. Although Goodman's replacement, **Lawrence Olanoff**, was a high ranking Forest Labs executive between 1995 and 2005, some analysts question the future leadership picture after years of management stability.
- **Generous Employment Agreements to Mid-Level Execs:** We were quite surprised to find non-named executives at the vice president and senior vice president levels receiving similar perks and severance packages as the highest ranking officers. Employment agreements are guaranteed for a minimum of three years and include such fringe benefits as automobiles, a full range of tax and financial planning services, and paid club dues. Severance packages for any officer terminated for "good reason" include a lump sum cash payment equal to three times the base salary and the highest annual bonus paid during the course of the agreement.
- **Company Inflates Beneficial Ownership Figures:** When reporting beneficial ownership on each Section 16 filer's Form 4 filings, FRX includes unvested stock options. By definition, unvested options are not considered to be beneficially owned since the holder does not have voting or investment power over the shares. These erroneously inflated ownership figures are misleading to the investor community as it gives the appearance the recent sales accounted for a much smaller percentage of their total actionable holdings. The table below shoes the totals as reported by FRX and the actual holdings figures, after recent sales.

Insider	Position	Ownership Reported	Ownership Actual
Howard Solomon	Chairman, CEO	6,372,743	5,592,548
Ivan Gergel	Senior V.P.	198,750	29,250
Elaine Hochberg	Senior V.P.	701,142	486,142
Raymond Stafford	Executive V.P.	241,040	192,540
Charles Triano	V.P.	119,871	51,371
Mary Prehn	V.P.	59,481	16,481

- **Howard Solomon (79)** – Chairman, CEO. On one hand, we would like to be able to dismiss Solomon's February 12th sale of 4.3 million shares as estate planning. On the other hand, this is a corporate chief executive who is entrenched in the Company's operations and has not given any indication he plans to retire in the near term. Solomon's sale, which included the monetization of 800,000 options scheduled to expire at yearend and 3.5 million of his 4.2 million common shares netted a pre-tax profit of \$221 million and **represented his largest disposition, based on percentage of actionable ownership (45%), in the past 15 years.** This is a clear departure from his historical trading behavior as he has routinely sold only when options were nearing expiration. In the recent case, we have to assume age played some role in his decision as he disclosed, but we would have expected to see a more reasonable form of estate planning that would pass the stock down to his heirs rather than the cash. The outright sale of most of his common during the same timeframe when a number of other executives were taking profits makes us unwilling to discount the significance of his sales. Solomon will have 280,000 stock options become actionable primarily in the fourth quarter (see Appendix A).
- **Kenneth Goodman (59)** – Director. Just two months after announcing his retirement, but before his resignation took effect, Goodman monetized the bulk of his stock options. On November 12th he cleared out seven different series with expiration dates ranging between December 2007 and December 2015 and sold the 3 million shares at \$47. He would then monetize the remainder of his stock options on February 13th, selling 300,000 shares at \$53. In all, he has **liquidated 75% of his ownership** over the past two quarters. While the ownership reduction in itself is quite large for an incumbent board member, the fact he monetized 300,000 options not in jeopardy of expiring for such very slim profits (11% range) is an equally informative gauge of his sentiment.
- **Raymond Stafford (58)** – Executive V.P. of Global Marketing. Stafford is a lesser known officer, last being named in a Proxy back in 1999. Despite his anonymity, he should not be overlooked as he has been with the Company since 1986 and is responsible for all of FRX's global operations. On December 4th Stafford executed his largest sale in the past ten years, monetizing 282,000 options with two years remaining before expiration while also selling 55,000 shares of common stock. The shares **accounted for 65% of his actionable holdings** and will not be easily

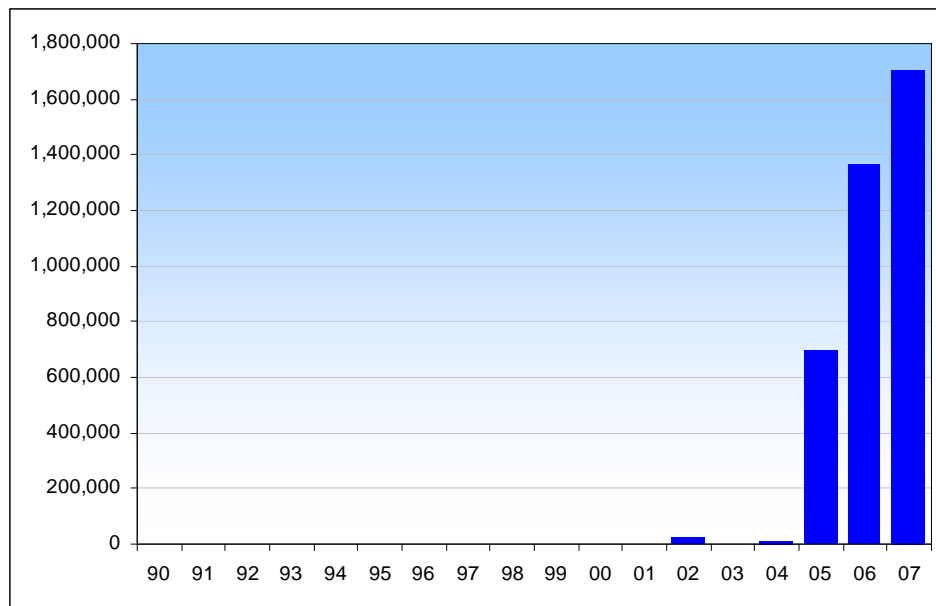
replaced as he has only 30,000 options scheduled to vest over the next two years (see Appendix A).

- **Charles Triano (age not disclosed)** – V.P. of Investor Relations. Triano has a limited trading history to analyze over the past seven years, but his one sale, in January 2004, came at the issue's all-time high and just before the stock collapsed 40% over the ensuing two quarters. Now, with the shares trading nearly 30% lower than his last exit date, Triano has sold again, **cashing out 60% of his ownership**. On February 16th he tapped into five separate option series, none of which was set to expire before October 2010, and sold 70,129 shares at \$54. As was the case with some of his peers, Triano also exercised options that yielded a 12% pre-tax profit (net of exercise costs). With just 22,500 options scheduled to become actionable by year-end (see Appendix A), it will take nearly four years before his vested options holdings will be restored.
- **Mary Prehn (age not disclosed)** – V.P. of Licensing. There are a number of disparities between Prehn's February 21st option-related sale which **shed 75% of her ownership** and the twelve previous option transactions executed since 1998. For one, she had never before tapped into more than two option series to sell at one time. Recently, Prehn exercised five series. And finally, 30% of the options she exercised had eight years remaining before expiration and yielded a slim pre-tax profit of just 12%. Never before had Prehn accepted a profit lower than 83% on her options. She will have just 18,000 options become actionable by yearend (see Appendix A).

Lyondell Chemical Co. (NYSE: LYO)

Lyondell, the nation's third largest publicly traded chemical company, has reinvented itself over the past year into one of the few chemical companies with a major crude oil refining operation following the third quarter 2006 acquisition of its joint venture partner in the Lyondell-CITGO refinery. With the pending divestiture of its unprofitable inorganic chemicals business, the Company's forecast for continued sales and earnings growth and elimination of debt in 2007 does not seem unreasonable. Nevertheless, an ailing business unit is not the only asset management has sold off recently as insider sales over the past two quarters have surpassed the cumulative selling volume between 1990 and Q3 of 2006. And though the shares might appear inexpensive based on a forward P/E of 9, this is not the first indication we have seen from management that the shares may have reached their full valuation as insiders have proven adept at selling into strength during the past two years.

Figure 3. Annual Selling Volume of Lyondell Chemical Insiders 1990 to 2007 (2007 is through 03/26/07 only). Source: LYO SEC Filings.



Although nearly all current members of the executive team have been with Lyondell since it was spun off from Atlantic Richfield Company (ARCO) in 1989, there is a very limited trading history to analyze, as the graph above illustrates. Yet, trades over a two year span in 2005 and 2006 demonstrate management's proclivity for selling out of shares at the most opportune moments; exactly why we feel the consortium of profit-takers over the past two quarters should not be overlooked. When appraising the Lyondell insider profile, we must start with the Company's top two execs, President, Chief Executive Officer **Dan Smith** and Chief Operating Officer **Morris Gelb**, who have a combined 60 years with the Company and its predecessor. The two first adopted 10b5-1 trading plans in February 2005 as the issue raced to new highs. They then commenced their sales after the shares rolled over, beginning a one-month 30% reversal as revenue slumped on rising crude costs. Gelb resurfaced three months later, dumping a significant amount of his ownership at substantially lower prices before

putting his trades on hold for nearly two years, while CEO Smith's activity throughout 2006 is worthy of a full recap.

Figure 4. Selling Dates of CEO Dan Smith (green diamonds) and COO Morris Gelb (red diamonds) 01/03/05 through 12/31/06 (both Smith and Gelb sold on the first red diamond, March 22, 2005). Source: Reuters and LYO SEC Filings.



With LYO shares opening 2006 down nearly 20% from the 4Q05 high, Dan Smith resumed his selling in February 2006 with a 100,000-share sale and then days later adopted his second personal sales plan, signaling his intent to continue taking profits. The timing of these actions is suspicious as the Company was awaiting a ruling in the Rhode Island vs. Millennium Chemicals lead-based paint court case. Two weeks after the adoption of Smith's 10b5-1 plan, Millennium, a wholly-owned subsidiary of Lyondell, was found liable for creating a public nuisance, dropping LYO shares 20% to a 52-week low. We should note that Smith is also named as Millennium's chief executive in addition to being the chief executive of Lyondell. On three ensuing dates later in the year he managed to take profits under his sales plan at the crest of short-lived rallies. Keep in mind, sales under Rule 10b5-1 are intended to be systematic, many times following a predefined schedule such as earnings report dates, often times involving a preset number of shares to be sold each month or quarter, and sometimes the sales may be triggered by minimum price thresholds. Smith's trades do not follow any type of identifiable pattern and, as is often the case with these trading plans, the Company has never made public any of the terms which leaves us to form our own conclusion. This represents just one of the curious behaviors we have observed.

Near the conclusion of 2006 a number of executives, Gelb and Smith included, adopted new trading plans and six commenced selling on January 25th, the day Lyondell shares rallied 8% on a strong fourth quarter earnings report. Two business days later many of the same executives surfaced again to take advantage of the higher prices. Consequently, we have a situation where a number of executives have cleared out of multiple option series, none at risk of expiring, to sell substantial percentages of their

ownership on an earnings-related rally under the guise of automatic 10b5-1 selling. One executive, CFO **T. Kevin DeNicola**, sold 11,000 shares under his plan on the earnings release date and then immediately went “outside of plan” one month later to sell ten times more shares after the issue gained another 15%. The table below lists the holdings reductions that resulted from the past two quarters of sales.

Insider	Position	% Ownership Reduction
D. Smith	President, CEO	50%
M. Gelb	COO	60%
T. DeNicola	CFO	30%
E. Dineen	Senior V.P.	55%
K. Galvin	General Counsel	40%
J. Bayer	Senior V.P.	65%
B. de Jong	Div. President	35%

In addition to the insider profit taking, Occidental Petroleum (NYSE: OXY), which owned 13.4% of Lyondell’s outstanding stock just last year, has lightened 40% of its stake over the past two quarters. Occidental received 34 million LYO shares back in 2002 when it sold its interest in Equistar to the Company. The first sale of 10 million shares occurred on November 2nd at \$25 and then the company would sell an additional 4.3 million shares on February 2nd at roughly \$29. Not only does Occidental’s chief financial officer, **Stephen Chazen**, sit on Lyondell’s board, but during 2006, Occidental paid Lyondell approximately \$782 million for product purchases (roughly 5% of OXY’s 2006 sales), while Lyondell purchased various products from Occidental for approximately \$54 million. While Occidental Petroleum’s slipping profits in the fourth quarter might have provided an impetus to sell, we have to suspect they would have held out longer had they anticipated better returns downstream.

In certain insider profit taking situations we analyze, when stock-based equity comprises a significant percentage of a management team’s total annual compensation, it becomes evident that taking profits on their shares can be more of a necessity than a luxury. This is far from the case at Lyondell, whose executives receive significant amounts of cash from bonuses and a performance plan, not to mention cash gained in self-serving restricted stock deals, which are not outlined in the new exhaustive SEC compensation disclosure changes the Company implemented in its 2006 Proxy Statement filed on 03/07/07.

First, LYO execs are issued performance units which are paid out at a range of 0% to 200% based on relative shareholder return performance during a three-year performance period. These awards may be paid in stock, cash or a combination thereof, at the discretion of the Compensation and Human Resources Committee. We have yet to see these settled in shares. In addition to the \$3 million bonus CEO Smith earned in the first quarter, he also received \$8.3 million cash from the performance units. COO Gelb received (before taxes) more than \$5 million between the two. Combined with the

profits from their first quarter sales, Gelb and Morris took home more than \$42 million in the first quarter alone. The table below provides a breakdown of the cash gained by Lyondell's named executives in the just the first quarter of this year:

Named Executive	Annual Bonus	Performance Units	1Q Stock Sales	Total
D. Smith	\$3.0M	\$8.3M	\$7.9M	\$19.2M
M. Gelb	\$1.2M	\$4.0M	\$3.6M	\$8.8M
T. DeNicola	\$0.6M	\$2.1M	\$2.1M	\$4.8M
E. Dineen	\$0.6M	\$1.9M	\$1.8M	\$4.3M
K. Galvin	\$0.5M	\$1.5M	\$2.4M	\$4.4M

While we recognize the award of cash, in lieu of stock, in many compensation plans is not an uncommon phenomenon, we can not help but highlight the obfuscated, not to mention egregious, manner in which Lyondell has handed over after-tax cash to its executives:

Lyondell's restricted stock plan has a feature we can not recall ever having seen, as a matching phantom stock award is issued in combination with the restricted stock. Here's the Company's rationale:

The restricted stock program is divided equally into a grant of restricted stock and an associated cash payment to facilitate ownership of Lyondell's stock by officers while at the same time providing a cash payment designed to allow officers to satisfy their taxes with respect to the restricted stock as it vests without selling the stock.

What they fail to mention is that the associated cash payment exceeds the cash needed to pay the taxes on the restricted stock, leaving executives with a handsome amount left over. Since the beginning of 2006, CEO Smith and COO Gelb picked up nearly \$700,000 and \$400,000, respectively, from this spread. What's more, we know executives receive dividends on the unvested restricted stock and there is a possibility, though they do not allude to it, that they get dividends on the phantom stock as well. This form of compensation is far from what is the typical, "best interests of shareholders" as it comes risk-free to the executives and even rewards them with unspecified additional after-tax cash. With the profusion of cash handed to them during the quarter, there is little justification for cashing out 35% to 65% of their holdings short of a prevailing bearish consensus.

- **Dan Smith (60)** – President, Chief Executive Officer. Having served the Company and its predecessor for nearly 35 years, it is about time we witnessed his first-ever profit taking event. Even so, there is a handful of reasons his recent sales need to be closely monitored. For one, Smith was a buyer between 1998 and 2001, picking up shares at higher prices than where he sold 680,793 shares on January 25th and January 29th. Secondly, since commencing the first of two 10b5-1 trading plans in May 2006, Smith has now monetized options from five different series (expiration

dates between February 2009 and February 2013) to sell 1.75 million shares, or **roughly 50% of his ownership**, for a net profit of \$21.4 million. His holdings are now at the lowest level in five years and without any stock-based equity scheduled to vest for the remainder of the year (250,000 vest in February 2008) his ownership will not be replenished in the near-term (see Appendix B). The Company has never provided any details on his personal sales plans, so there is no indication if there are still shares available for sale under his current 10b5-1.

- **Morris Gelb (60)** – Executive V.P., Chief Operating Officer. Gelb adopted a trading plan in October and commenced selling in the first quarter. Between January 24th and January 29th, the nine year executive cleared out all 295,000 options in his only remaining fully-vested series which were not set to expire until February 2013 and February 2014. He immediately sold the stock for a net profit of \$3.6 million (roughly \$28 per share). This **round of sales shed 60% of his holdings**, surpassing the percentage he sold (43%) back in 2005. Gelb proved himself to be an impatient trader in '05 as his first sales were executed at \$30, halfway into a severe one-month slide from \$35 to \$24, and then he sold six times more shares three months later at 17% lower prices (\$25). After having ownership of over 1 million shares in early 2005, Gelb now just holds 200,000 shares and vested options and will have only 97,000 more become actionable in the first quarter of 2008 (see Appendix A).
- **Edward Dineen (52)** – Senior V.P., Chemicals and Polymers. Including the 113,390 shares sold between January 25th and February 1st, Dineen has now set free 213,000 shares, **equal to 55% of his holdings**, under two 10b5-1 plans since last May. These first sales of his nine year LYO career returned his holdings back to 2002 levels much faster than he will be able to restock them with just 80,000 options and restricted shares becoming actionable by the end of 2009 (see Appendix B).
- **James Bayer (51)** – Senior V.P., Manufacturing and Health, Safety and Environment. A veteran officer who oversees production operations at 22 global manufacturing facilities, Bayer executed his first-ever sale on February 27th, monetizing all 166,420 options from three series not set to expire for two to five years. The sale, which was not part of an established 10b5-1 plan, **shed 65% of his actionable holdings** (common stock and vested options). It will take more than six years for Bayer's ownership to be restored based on the 25,000 options and shares he will have vest in the first quarter of 2008 (see Appendix B).

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Appendix A

Option and Restricted Stock Vesting Schedules for Selected Forest Laboratories, Inc. Insiders

Grant Date	Equity Type	Options/Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
Howard Solomon, Chairman, CEO. Common stock holdings: 772,548 shares								
12/18/98	Options	600,000	\$12.08	12/18/99	12/18/08	600,000	0	Fully Vested
12/17/99	Options	1,200,000	\$13.14	12/17/00	12/17/09	1,200,000	0	Fully Vested
12/15/00	Options	2,000,000	\$33.45	12/15/01	12/15/10	2,000,000	0	Fully Vested
12/14/01	Options	600,000	\$38.14	12/14/02	12/14/11	600,000	0	Fully Vested
12/13/02	Options	400,000	\$48.34	12/13/03	12/13/12	400,000	160,000	12/13/07
12/12/03	Options	200,000	\$59.05	12/12/04	12/12/13	200,000	110,000	30,000 vest in 12/07; 80,000 vest on 12/08
12/13/04	Options	200,000	\$42.53	12/13/05	12/13/14	200,000	140,000	30,000 vest in 12/07 and 12/08; 80,000 vest in 12/09
12/09/05	Options	200,000	\$40.29	12/09/06	12/09/15	200,000	170,000	30,000 vest in 12/07, 12/08, and 12/09; 80,000 vest in 12/10
12/08/06	Options	200,000	\$51.53	12/08/07	12/08/16	200,000	200,000	30,000 vest in 08/07, 08/08, 08/09, 08/10; 80,000 vest in 08/11
Kenneth Goodman, Director. Common stock holdings: 951,470 shares								
12/12/03	Options	100,000	\$59.05	12/12/04	12/12/13	100,000	0	Fully Vested
Ivan Gergel, Senior V.P. of Scientific Affairs. Common stock holdings: 0 shares								
12/13/02	Options	30,000	\$48.34	12/13/03	12/13/12	30,000	12,000	12/13/07
12/12/03	Options	15,000	\$59.05	12/12/04	12/12/13	15,000	8,250	2,250 vest in 12/07; 6,000 vest in 12/08
12/13/04	Options	15,000	\$42.53	12/13/05	12/13/14	15,000	10,500	2,250 vest in 12/07 and 12/08; 6,000 vest in 12/09
08/08/05	Options	75,000	\$40.32	08/08/06	08/08/15	63,750	63,750	11,250 vest in 08/07, 08/08, 08/09; 30,000 vest in 08/10
12/08/06	Options	75,000	\$51.53	12/08/07	12/08/16	75,000	75,000	11,250 vest in 08/07, 08/08, 08/09, 08/10; 30,000 vest in 08/11
Elaine Hochberg, Senior V.P. of Marketing. Common stock holdings: 89,130 shares								
12/15/00	Options	140,000	\$33.45	12/15/01	12/15/10	137,012	0	Fully Vested
12/14/01	Options	150,000	\$38.14	12/14/02	12/14/11	150,000	0	Fully Vested
12/13/02	Options	100,000	\$48.34	12/13/03	12/13/12	100,000	40,000	12/13/07
12/12/03	Options	50,000	\$59.05	12/12/04	12/12/13	50,000	22,500	7,500 vest in 12/07; 20,000 vest in 12/08
12/13/04	Options	50,000	\$42.53	12/13/05	12/13/14	50,000	35,000	7,500 vest in 12/13/07 and 12/08; 20,000 vest in 12/09
12/09/05	Options	50,000	\$40.29	12/09/06	12/09/15	50,000	42,500	7,500 vest in 12/07, 12/08, and 12/09; 20,000 vest in 12/10
12/08/06	Options	75,000	\$51.53	12/08/07	12/08/16	75,000	75,000	11,250 vest in 08/07, 08/08, 08/09, 08/10; 30,000 vest in 08/11
Mary Prehn, V.P. of Licensing. Common stock holdings: 11,981 shares								
12/13/02	Options	30,000	\$48.34	12/13/03	12/13/12	12,000	12,000	12/13/07
12/12/03	Options	10,000	\$59.05	12/12/04	12/12/13	10,000	5,500	1,500 vest in 12/07; 4,000 vest in 12/08
12/13/04	Options	10,000	\$42.53	12/13/05	12/13/14	7,000	7,000	1,500 vest in 12/13/07 and 12/08; 4,000 vest in 12/09
12/09/05	Options	10,000	\$40.29	12/09/06	12/09/15	8,500	8,500	1,500 vest in 12/07, 12/08, and 12/09; 4,000 vest in 12/10
12/08/06	Options	10,000	\$51.53	12/08/07	12/08/16	10,000	10,000	1,500 vest in 08/07, 08/08, 08/09, 08/10; 4,000 vest in 08/11



Appendix A

Option and Restricted Stock Vesting Schedules for Selected Forest Laboratories, Inc. Insiders

Grant Date	Equity Type	Options/Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
Raymond Stafford, Executive V.P. of Global Marketing. Common stock holdings: 101,040 shares								
12/14/01	Options	150,000	\$38.14	12/14/02	12/14/11	60,000	0	Fully Vested
12/13/02	Options	30,000	\$48.34	12/13/03	12/13/12	30,000	12,000	12/13/07
12/12/03	Options	15,000	\$59.05	12/12/04	12/12/13	15,000	8,250	2,250 vest in 12/07; 6,000 vest in 12/08
12/13/04	Options	15,000	\$42.53	12/13/05	12/13/14	15,000	10,500	2,250 vest in 12/07 and 12/08; 6,000 vest in 12/09
12/09/05	Options	15,000	\$40.29	12/09/06	12/09/15	15,000	12,750	2,250 vest in 12/07, 12/08, and 12/09; 6,000 vest in 12/10
12/08/06	Options	25,000	\$51.53	12/08/07	12/08/16	25,000	25,000	2,250 vest in 08/07, 08/08, 08/09, 08/10; 6,000 vest in 08/11
Charles Triano, V.P. of Investor Relations. Common stock holdings: 0 shares								
10/30/00	Options	100,000	\$32.92	10/30/01	10/30/10	52,000	0	Fully Vested
12/13/02	Options	30,000	\$48.34	12/13/03	12/13/12	12,000	12,000	12/13/07
12/12/03	Options	15,000	\$59.05	12/12/04	12/12/13	15,000	8,250	2,250 vest in 12/07; 6,000 vest in 12/08
12/13/04	Options	15,000	\$42.53	12/13/05	12/13/14	10,501	10,500	2,250 vest in 12/13/07 and 12/08; 6,000 vest in 12/09
12/09/05	Options	15,000	\$40.29	12/09/06	12/09/15	12,750	12,750	2,250 vest in 12/07, 12/08, and 12/09; 6,000 vest in 12/10
12/08/06	Options	25,000	\$51.53	12/08/07	12/08/16	25,000	25,000	3,750 vest in 08/07, 08/08, 08/09, 08/10; 10,000 vest in 08/11



Appendix B

Option and Restricted Stock Vesting Schedules for Selected Lyondell Chemicals Co. Insiders

Grant Date	Equity Type	Options/ Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
James Bayer, Senior V.P. - Manufacturing and Health, Safety and Environment . Common stock holdings: 52,850 shares								
02/05/04	Options	20,473	\$17.55	12/01/04	02/05/14	20,473	0	Fully Vested
01/20/05	Options	17,590	\$28.56	01/20/06	01/20/15	17,590	5,864	01/20/08
02/23/06	Options	24,747	\$24.52	02/23/07	02/23/16	24,747	16,498	02/23/08, 02/23/09
02/23/06	R. Stock	3,527	N/A	02/23/07	02/23/09	2,352	2,352	02/23/08, 02/23/09
02/22/07	Options	27,162	\$31.97	02/22/08	02/22/17	27,162	27,162	02/22/08, 02/22/09, 02/22/10
02/22/07	R. Stock	3,521	N/A	02/22/08	02/22/10	3,521	3,521	02/22/08, 02/22/09, 02/22/10
Bart de Jong, V.P. & President - Millennium Inorganic Chemicals . Common stock holdings: 17,799 shares								
05/23/02	Options	28,991	\$17.10	05/23/03	05/23/12	28,991	0	Fully Vested
02/05/04	Options	19,284	\$17.55	12/01/04	02/05/14	19,284	0	Fully Vested
01/20/05	Options	16,063	\$28.56	01/20/06	01/20/15	16,063	5,355	01/20/08
02/23/06	Options	23,614	\$24.52	02/23/07	02/23/16	23,614	15,743	02/23/08, 02/23/09
02/23/06	R. Stock	3,366	N/A	02/23/07	02/23/09	2,244	2,244	02/23/08, 02/23/09
02/22/07	Options	24,184	\$31.97	02/22/08	02/22/17	24,184	24,184	02/22/08, 02/22/09, 02/22/10
02/22/07	R. Stock	3,135	N/A	02/22/08	02/22/10	3,135	3,135	02/22/08, 02/22/09, 02/22/10
T. Kevin DeNicola, Senior V.P., Chief Financial Officer. Common stock holdings: 49,852 shares								
02/08/02	Options	72,494	\$13.80	02/08/03	02/08/12	72,494	0	Fully Vested
05/01/02	Options	52,021	\$14.63	05/01/03	05/01/12	52,021	0	Fully Vested
02/07/03	Options	106,982	\$12.87	02/07/04	02/07/13	106,982	0	Fully Vested
02/05/04	Options	19,284	\$17.55	02/05/04	02/05/14	19,284	0	Fully Vested
01/20/05	Options	36,342	\$28.56	01/20/06	01/20/15	36,342	12,114	01/20/08
01/20/05	R. Stock	6,057	N/A	01/20/06	01/20/08	4,038	4,038	01/20/08
02/23/06	Options	53,606	\$24.52	02/23/07	02/23/16	53,606	35,738	02/23/08, 02/23/09
02/23/06	R. Stock	7,640	N/A	02/23/07	02/23/09	5,094	5,094	02/23/08, 02/23/09
02/22/07	Options	59,314	\$31.97	02/22/08	02/22/17	59,314	59,314	02/22/08, 02/22/09, 02/22/10
02/22/07	R. Stock	7,690	N/A	02/22/08	02/22/10	7,690	7,690	02/22/08, 02/22/09, 02/22/10
Edward Dineen, Senior V.P.-Chemicals & Polymers . Common stock holdings: 74,136 shares								
02/07/03	Options	101,734	\$12.87	02/07/04	02/07/13	37,823	0	Fully Vested
02/05/04	Options	36,386	\$17.55	02/05/04	02/05/14	36,386	0	Fully Vested



Appendix B

Option and Restricted Stock Vesting Schedules for Selected Lyondell Chemicals Co. Insiders

Grant Date	Equity Type	Options/Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
01/20/05	Options	30,883	\$28.56	01/20/06	01/20/15	30,883	10,295	01/20/08
02/23/06	Options	44,435	\$24.52	02/23/07	02/23/16	44,435	29,624	02/23/08, 02/23/09
02/23/06	R. Stock	6,333	N/A	02/23/07	02/23/09	4,222	4,222	02/23/08, 02/23/09
02/22/07	Options	48,323	\$31.97	02/22/08	02/22/17	48,323	48,323	02/22/08, 02/22/09, 02/22/10
02/22/07	R. Stock	6,265	N/A	02/22/08	02/22/10	6,265	6,265	02/22/08, 02/22/09, 02/22/10

Kerry Galvin, Senior V.P., General Counsel, Secretary. Common stock holdings: 35,910 shares

07/08/00	Options	¹	\$16.25	07/08/01	07/08/10	10,373	0	Fully Vested
02/01/01	Options	115,835	\$16.25	02/01/02	02/01/11	60,835	0	Fully Vested
02/08/02	Options	114,615	\$13.80	02/08/03	02/08/12	64,615	0	Fully Vested
02/07/03	Options	82,282	\$12.87	02/07/04	02/07/13	41,282	0	Fully Vested
02/05/04	Options	30,553	\$17.55	02/05/04	02/05/14	30,553	0	Fully Vested
01/20/05	Options	26,877	\$28.56	01/20/06	01/20/15	26,877	8,959	01/20/08
01/20/05	R. Stock	4,480	N/A	01/20/06	01/20/08	1,494	1,494	01/20/08
02/23/06	Options	38,658	\$24.52	02/23/07	02/23/16	38,658	25,772	02/23/08, 02/23/09
02/23/06	R. Stock	5,510	N/A	02/23/07	02/23/09	3,674	3,674	02/23/08, 02/23/09
02/22/07	Options	42,279	\$31.97	02/22/08	02/22/17	42,279	42,279	02/22/08, 02/22/09, 02/22/10
02/22/07	R. Stock	5,481	N/A	02/22/08	02/22/10	5,481	5,481	02/22/08, 02/22/09, 02/22/10

Morris Gelb, Executive V.P., Chief Operating Officer . Common stock holdings: 127,233 shares

01/20/05	Options	66,169	\$28.56	01/20/06	01/20/15	66,169	22,057	01/20/08
01/20/05	R. Stock	11,028	N/A	01/20/06	01/20/08	3,676	3,676	01/20/08
02/23/06	Options	90,050	\$24.52	02/23/07	02/23/16	90,050	60,034	02/23/08, 02/23/09
02/23/06	R. Stock	12,835	N/A	02/23/07	02/23/09	8,557	8,557	02/23/08, 02/23/09
02/22/07	Options	98,367	\$31.97	02/22/08	02/22/17	98,367	98,367	02/22/08, 02/22/09, 02/22/10
02/22/07	R. Stock	12,753	N/A	02/22/08	02/22/10	12,753	12,753	02/22/08, 02/22/09, 02/22/10

Dan Smith, President, Chief Executive Officer. Common stock holdings: 349,111 shares

02/08/02	Options	635,743	\$13.80	02/08/03	02/08/12	560,850	0	Fully Vested
02/07/03	Options	434,283	\$12.87	02/07/04	02/07/13	234,283	0	Fully Vested
02/05/04	Options	160,133	\$17.55	02/05/04	02/05/14	160,133	0	Fully Vested
01/20/05	Options	148,426	\$28.56	01/20/06	01/20/15	148,426	49,476	01/20/08
01/20/05	R. Stock	24,738	N/A	01/20/06	01/20/08	8,246	8,246	01/20/08



Appendix B

Option and Restricted Stock Vesting Schedules for Selected Lyondell Chemicals Co. Insiders

Grant Date	Equity Type	Options/Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
02/23/06	Options	230,123	\$24.52	02/23/07	02/23/16	230,123	153,416	02/23/08, 02/23/09
02/23/06	R. Stock	32,799	N/A	02/23/07	02/23/09	21,866	8,557	02/23/08, 02/23/09
02/22/07	Options	254,529	\$31.97	02/22/08	02/22/17	254,529	254,529	02/22/08, 02/22/09, 02/22/10
02/22/07	R. Stock	32,998	N/A	02/22/08	02/22/10	32,998	32,998	02/22/08, 02/22/09, 02/22/10

John Hollinshead, Senior V.P. - Human Resources. Common stock holdings: 58,513 shares

02/01/01	Options	70,924	\$16.25	02/01/02	02/01/11	30,924	0	Fully Vested
02/08/02	Options	75,962	\$13.80	02/08/03	02/08/12	30,962	0	Fully Vested
02/07/03	Options	²	\$12.87	02/07/04	02/07/13	²	0	Fully Vested
02/05/04	Options	19,988	\$17.55	02/05/04	02/05/14	19,988	0	Fully Vested
01/20/05	Options	17,246	\$28.56	01/20/06	01/20/15	17,246	5,749	01/20/08
01/20/05	R. Stock	2,874	N/A	01/20/06	01/20/08	958	958	01/20/08
02/23/06	Options	24,906	\$24.52	02/23/07	02/23/16	24,906	16,604	02/23/08, 02/23/09
02/23/06	R. Stock	3,550	N/A	02/23/07	02/23/09	2,367	2,367	02/23/08, 02/23/09
02/22/07	Options	27,702	\$31.97	02/22/08	02/22/17	27,702	27,702	02/22/08, 02/22/09, 02/22/10
02/22/07	R. Stock	3,591	N/A	02/22/08	02/22/10	3,591	3,591	02/22/08, 02/22/09, 02/22/10

¹ It is unclear how many options Kerry Galvin was granted on July 8, 2000, but do know that he still holds 10,373 from the series

² It is unclear how many options John Hollinshead was granted on February 7, 2003 and do not know how many he currently holds