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Lyondell grossly overvalued.

Bloomberg featured an article on September 8, 1998 titled "Welcome to My Short-Selling Contest" that describes John Dorfman's Short-Selling contest. The goal of the contest is to pick the stock that will decline the most over a one year period beginning at the close of the market on September 15, 1998. To initiate the contest, Mr. Dorfman asked a couple of professional investors to pick which company was their favorite short. As the Bloomberg article states, Mr. Dorfman asked Manuel P. Asensio, President and Chief Executive Officer of Asensio & Company, Inc., and Mr. Asensio chose Lyondell Chemical Company (NYSE symbol: LYO) (Price: \$16.50).

The article states that "He [Mr. Asensio] notes that stockholders' equity was only \$624 million at the end of 1997, and yet Lyondell borrowed \$7 billion this year, spending most of it to acquire Arco Chemical Co. in July for \$57.57 a share." Mr. Dorfman continues the article with the subheading "The Debt Remains." It states "By Asensio's estimation, Arco is now worth only about 'half of what they paid for it,' since chemical prices and the stock market are both down. The bank debt, however, still has to be paid off. 'The bank debt has a clause that obligates the company to sell \$1.2 billion of equity in the next year,' Asensio says. Since the current market value of Lyondell's stock is about \$1.64 billion, that means shareholders could be looking at a possible reduction in per-share earnings of about 43 percent from the issuance of the new stock."

Short selling involves a risk not associated with the purchase of stock including, but not only limited to, unlimited loss and stock borrowing risks. Additional information is available upon request.