



This 3DAdvisors Report Covers:

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

Share Repurchase Also Helped Prop Up Shares in Q1 Ecolab Inc. (NYSE: ECL) Update

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Contact: Bob Gabele (954) 779-3974 or bgabele@3DAdvisors.com

Ecolab Inc. is engaged in the development and marketing of products and services for the hospitality, institutional and industrial markets. The Company provides cleaning, sanitizing, pest elimination, maintenance and repair products, systems and services primarily to hotels and restaurants, foodservice, healthcare and educational facilities, quick-service (fast food and other convenience store) units, grocery stores, commercial and institutional laundries, light industry, dairy plants and farms, food and beverage processors, pharmaceutical and cosmetics facilities and the vehicle wash industry.

Summary of 3DAdvisors Findings for ECL

- ▶ **Accounting:** Share repurchase also helped prop up shares in Q1

Discussion of 3DAdvisors Findings

Accounting: Share repurchase also helped prop up shares in Q1

In reviewing the most recent Ecolab (ECL) "Q", we have noted a first-time disclosure revealing that in Q1 (F/Y 2003) the company repurchased 180,000 shares during the quarter ending March 31. This was more than the entire amount repurchased by Ecolab in '02, a period when the shares were trading at lower prices. So why then are did they buy so much at higher prices?

The most interesting component of this particular disclosure is the fact that the shares were purchased "pursuant to a 10b-1 plan". 10b5-1 plans are the trading plans used by Company insiders who want to sell stock. We were initially concerned that a 10b-1 plan may be something different than a 10b5-1. After further research we are now 100% confident that the repurchase was pursuant to an insider-filed 10b5-1 plan. What this means is that the Company bought them from one or more company insiders. This provides further evidence that Ecolab was engaging in behavior designed to keep its shares above that \$49 exercise price of the performance options until their May 20th expiration date.

With the bulk of the Ecolab insider sales of performance-based options having occurred in April, after the filing of that "Q", the possibility cannot be ruled out that, in spite of the high share price, Ecolab could have bought a significant amount of shares from those insiders who have been unloading their shares (acquired from the exercise of those performance options) in Q2.

Please see our prior report on ECL (6/5/03) for information on the Company's performance option plan and other details.

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