3D ADVISORS

Research Notes

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Research Notes are a brief description of the insider trading, accounting, or governance behaviors that we have been investigating for possible inclusion in standard 3DA reports, and may also include other information of general interest to 3DA subscribers. The ⬆ symbol indicates that we have observed management behavior that suggests a bullish sentiment.

Companies in this Research Notes

- Bunge Limited (NYSE: BG)
- Herbalife Ltd. (NYSE: HLF)
- Inland Real Estate Corp. (NYSE: IRC) ⬆
- Life Time Fitness Inc. (NYSE: LTM) ⬆
- MasterCard Inc. (NYSE: MA)
- NVR Inc. (NYSE: NVR)
- Teledyne Technologies Inc. (TDY)

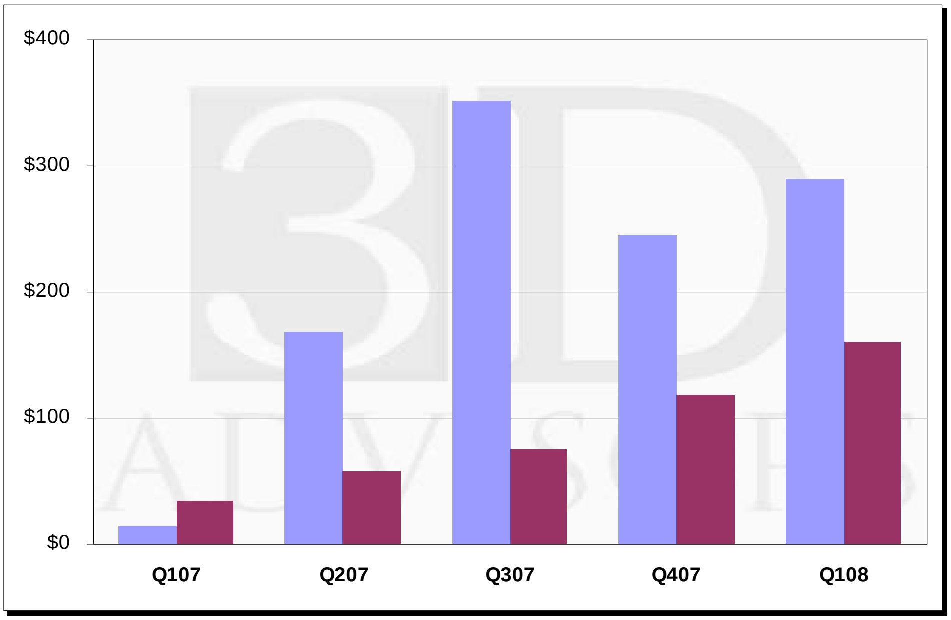
3DAdvisors Research Notes

Bunge Limited (NYSE: BG)

- Bunge's SEC Form 10-Q for 1Q08 reveals more of the type of obfuscation and, frankly, sleight of hand techniques that we have become so accustomed to with this Company. In addition to ongoing questions about earnings quality and the Company's inability to generate cash from operations we also have more unexplained reclassifications, continued ramping of derivative activity, questions about the valuation of Readily Marketable Inventories (read: soybeans), continued credit risk and more. With more analysts and the media now asking the hard questions, pressure seems to be building on the Company, and for good reason.

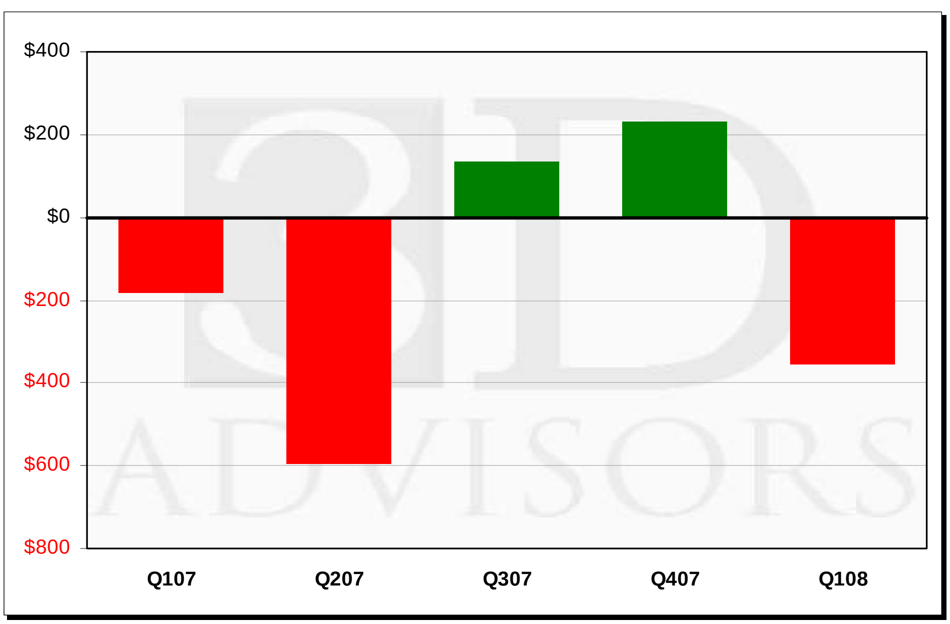
- One of the first things that jumped out to us in the 1Q08 results is that the Company reported $289 million in Net Income, but $160 million came from "foreign exchange gain on subsidiary debt". This non-cash gain has been growing steadily as a percentage of Net Income, but in 1Q08 it ballooned to over half of the Net Income.

Figure 1. BG Net Income (Blue Bars) and Foreign Exchange Gain on Subsidiary Debt (Red Bars), Q107 through Q108, Millions of $. Source: BG SEC Filings.



- With such large non-cash items contributing the bulk of net income, it comes as no surprise that the Company's operating activities continue to burn cash. In the most recent quarter, the Company used $353 million in cash, and over the past 5 quarters, operations cumulatively used $764 million in cash.

Figure 2. BG Net Cash Used (Red) or Generated (Green) by Operations. Source: BG SEC Filings.



We also noted a number of balance sheet items:

- **Reclassification of Derivative Assets:** At 12/31/07 the Company's Balance Sheet in the SEC Form 10-K revealed "Other Assets" included Unrealized Gains on Derivative Contracts in the amount of $2,660 million. In the just filed SEC Form 10-Q for the period ending 03/31/08, the Comparative Balance Sheet showed Unrealized Gains on Derivative Contracts at 12/31/07 in the amount of $2,320 million, a reduction of $340 million. The amount that was removed from Unrealized Gains was reclassified to the line item "Other". No explanation for the reclassification was given other than "certain reclassifications were made to conform to the current period presentation." Derivative Contracts were not mentioned.

  One is left to wonder as to the reason for the changes. Were the gains not real? Were they not related to Derivative Contracts? Are they a valid realizable asset? These are but a few of the unanswered questions. The unanswered questions could have material significance going forward.

  Unrealized gains, while recorded initially in Other Comprehensive Income, are destined to be reflected in the income statement when they are realized as the transactions are consummated. Were gains of $340 million sidetracked for whatever reason and not ultimately destined to be reflected in income? Are they properly carried as an "Other Asset"? And if they are not unrealized gains, what are they? One suspects those answers may show up in future periods, perhaps to the detriment of earnings.

- **Valuation of Readily Marketable Inventories (RMI's):** Over time, Bunge management has been consistent in its stance that its Readily Marketable Inventories are "readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms." Consequently, the Company chooses to highlight them, as cash-like items in its financials and goes to great lengths to convince investors that a study of Bunge's cash position is not complete without including RMI's in the mix. To this, we have always been curious that Bunge has been incurring, on average, $30 million per quarter in interest expenses to carry its RMI's. After all, Bunge's agribusiness margins are razor thin. Why not just sell some of the beans in order to forego the extra interest expense? Unless, of course, they are not really "readily marketable".

  We were therefore quite surprised to see that upon Bunge's initial SFAS 157 compliance, $3.4 billion of its RMI's were classified as Level 2 assets, and the remaining $174 million as Level 3. We had expected to see a significant portion of Bunge's $3.6 billion RMI's included as Level 1 assets, which are defined as being tied to "Quoted prices (unadjusted) in active markets for identical assets or liabilities". There has, however, been certain debate as to whether some of the RMI's should be shown as Level 1.

  With regards to Level 2 and 3, however, things become more curious as we wonder why so few RMI's were classified as Level 3. We all know that Bunge claims it has $3.6 billion in RMI's (mostly soybeans) sitting at various locations, silos, ships, processing facilities, etc. The fact is that a large amount of these beans, such as those in Mato Grosso (MT), trade at significant discounts from Chicago due to the costs of their transport to their intended destination. We know that the typical discount from Chicago prices for MT beans is about $4 per bushel or, based on today's Chicago price a 30% discount, far more than the 10% discount of the fair value consideration for which considerable judgment must be applied "when evaluating both quantitative and qualitative factors in the determination of significance for purposes of fair value level classification and disclosure". In such cases, given the fact that Bunge has crushing and storage facilities in MT, it would seem that Level 3 should be the appropriate classification for more than just $174 million.

All in all, we continue to wonder as to whether Bunge's RMI's are truly liquid and, as good as cash, as the Company claims, or if there are extenuating circumstances which cause them to be illiquid (pledged for delivery, never delivered by MT farmers, etc.). We also seriously wonder whether inventories have been valued properly.

- **Attempts at Obfuscating Farmer Debt:** We doubt that anyone was surprised to see Brazilian farmer debt sticking at high levels, both as fertilizer receivables and as advances to farmers. We did notice, however, a few new attempts at obfuscation regarding each category:

  Fertilizer AR's (current and non-current) were up to $932 million from $857 at 12/31/07. The interesting treatment here was that although Bunge moved the related allowance up to $216 million from $211, as a percentage they went down to 23% of AR's from 25%. Given all we hear "in country" about the farmers' desperate attempts at staying in business while dealing with the high cost of fertilizer, we would suspect that the current allowance is inadequate.

  Bunge makes it appear that farmer advances moved down during the period, on the surface, attempting to show that they have dropped from $1.14 billion to $920 million. However, as of 1Q08, Bunge has begun netting "Soybeans delivered to Bunge against (secured advances to farmers) but not priced" against the total. These beans totaled $212 million in the period. Adding them back into the total would put the Farmer advance number back up to $1.13 billion. In 4Q07, the netted beans totaled just $22 million. Advances dropped but by a much smaller amount than Bunge attempts to present.

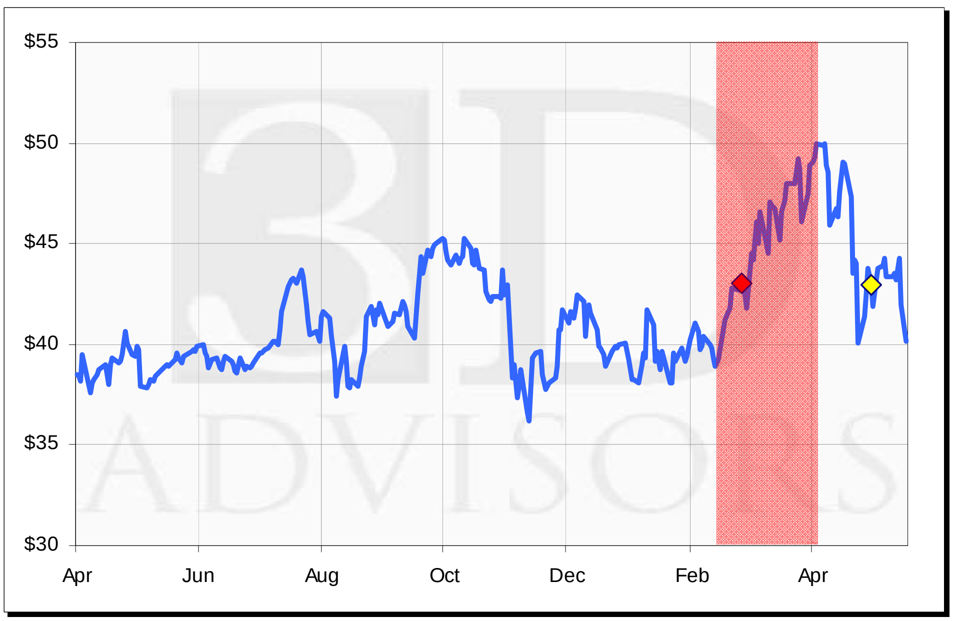
- **Derivative Activity:** Since Bunge has not been forthcoming in explaining the vaporization of $340 million from "Unrealized Gains from Derivative Contracts", we have only to look at their revised December number, which is now disclosed as $2.32 billion. These Unrealized Gains are reported at $2.81 billion as of March 31, making Q1 one of the largest increases in derivative activity we've seen for Bunge in one period. Consequently the growth in Bunge's Unrealized Gains from Derivative Contracts has grown 700% since Q2 of 2006. Corresponding losses have jumped by 600%.

- **Tax and labor claims:** Bunge ceased reporting its amounts of Brazilian tax and labor claims back in 2005. At that time, the Company carried a combined total of $1.1 billion in tax claims plus additional undisclosed labor and civil claims. Allowances for these claims, which had been holding in the $340 to $360 million range thorough Q4 of 2007, have suddenly jumped to $470 million as of Q1, 2008, possibly indicating the Company's expectations of having to pay out more than earlier anticipated.

Herbalife Ltd. (NYSE: HLF)

- Our recent coverage of Herbalife in the 04/29/08 issue of *Insider Research Bulletin* focused on the spike in insider selling that took place immediately before and just after the Company released 4Q07 results on 02/27/08, which beat the consensus number for earnings and also resulted in management raising guidance for 2008. Between 02/19/08 and 04/04/08, 10 insiders sold 852,484 shares, matching the highest selling volume for a *full year* established in 2007.

Figure 3. HLF Daily Closing Price, 04/02/07 and 05/19/08. Red diamond is the date of 4Q07 results; Red shaded area is where 10 insiders sold 852,484 shares; Yellow diamond is the date of 1Q08 results. Source: Reuters and HLF SEC Filings.

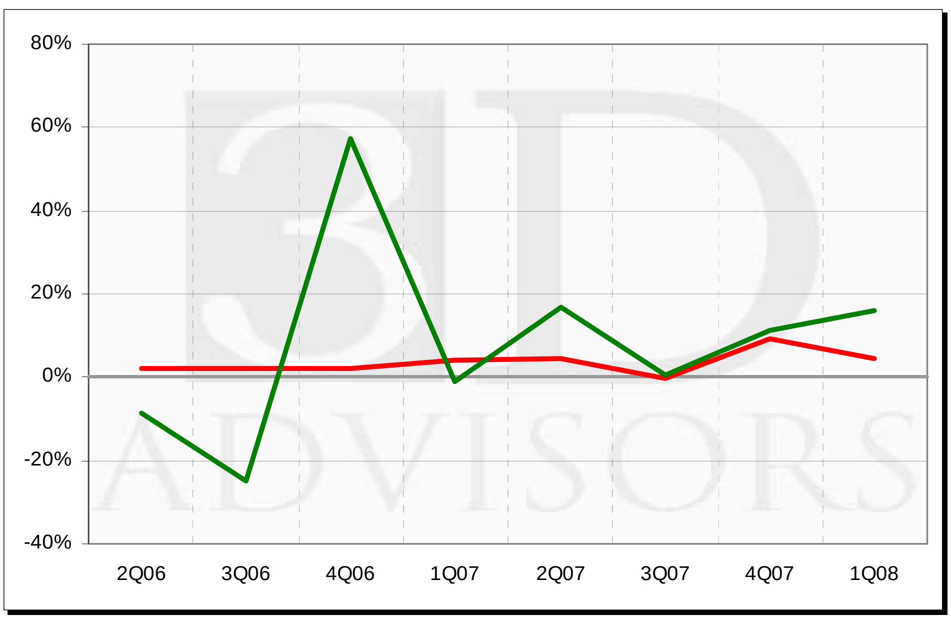


Not only did this round of sales bring year-to-date holdings reductions to between 65% and 85% for four of the six top officers in the Company, all the trades were under 10b5-1 trading plans and appeared to abuse the spirit if not the letter of the rule in almost every case. For example, Senior V.P. of North America **Thomas Zimmer** used two short-term plans entered three months apart to sell 80% of his actionable position, while CFO **Richard Goudis** traded simultaneously under 2 separate plans. We also noted that the recent trading patterns look very similar to what we observed in 1Q06 when insiders converged immediately after reporting strong 2005 results, only to have the shares give back 30% shortly thereafter.

- Given the heavy selling we observed before and just after the 2007 results were announced in late February (see Figure 3 above), the 1Q08 results, released on 05/01/08, seemed to contradict the trading behavior as the headline gushed "Herbalife Ltd. Announces Record First-Quarter 2008 Results; First Quarter Net Sales Increase 19.0 Percent to $604.4 Million". The opening paragraph of the release listed double-digit, year-over-year growth percentages for various countries around the world. CEO **Michael Johnson** was quoted, "We are pleased to report our 17th consecutive quarter of double-digit growth and record net sales, as all five of our regions reported positive sales growth, reflecting the strong performance of our independent distributor organization."

More careful examination of the quarter's results, however, reveal that things are not quite as rosy as one might expect given the headlines and that management is quite adept at masking questions about growth, of which there are plenty. First off, while focusing on year-over-year growth in selected geographies, the sequential numbers are far less impressive and perhaps more revealing. Moreover, the Company acknowledges that 7.1% of the overall 19.0% top-line growth came from currency gains (80% of sales are overseas), and that some undisclosed portion of the gains came from price increases. Overall, sequential growth was just 4.6% *including* currency gains and price increases and in some important regions, the numbers look downright lousy. For example, in the Europe, Middle East and Africa (EMEA) region, the Company's largest which accounted for 26.1% of total net sales in 1Q08, net sales *decreased* 1.7% year-over-year after adjusting for currency gains. While several countries in the region reported double-digit growth in net sales, including Russia, Italy and Spain, Germany was down 17.5%, and total "Sales Leaders" in the region, a key indicator of future sales results, were down 8.3% from the same period a year ago.

Figure 4. HLF Sequential Growth in Quarterly Net Sales (Red) and Net Income (Green), 2Q06 through 1Q08 (includes currency gains). Source: HLF SEC Filings.



- We made several other behavioral observations regarding management's masking of weakness in the quarterly results. It almost appears that as a market (country) slows, it gets folded into another geographic region. The most obvious example is that of Brazil where in 2005 that market saw growth of 63% and was defined as a category unto itself. However, in 2007 Brazil was folded into South American sales. Furthermore, Brazil was not even mentioned during the opening remarks of the 4Q07 conference call as management touted the explosive growth of certain key markets in the region. It was later disclosed that net sales had declined in Brazil.

We can see this playing out in China as well. China had been a separate geographic category but is now part of the general Asia Pacific category. As a result, it is now very difficult to see the growth trends in this region that HLF describes in its 2006 and 2007 SEC Form 10-K as a market that "represents significant growth opportunity" and "that China could become one of the largest direct-selling markets in the world over the next several years."

- In recent weeks, the Company has had to deal with a stream of negative publicity. There has been the much talked about efforts of Barry Minkow, founder of the Fraud Discovery Institute, who uncovered that former President and COO **Gregory Probert** had falsified his education credentials, who later resigned as a result. Now Minkow says a number of HLF products contain too much lead under California law and are unsafe. In separate but related news, the Company reported last month that the Spanish Ministry of Health had issued a warning regarding HLF products due to suspicious cases of liver damage. The Company said it was in discussions with the ministry, but maintains its products are safe.

  Whether related concerns are founded or not, analysts are worried that the Company's reputation is being tarnished which could impact its ability to attract and retain new distributors, who are really its customers. This is at the very core of its business model as a multi-level marketing Company. In the Company's most recent SEC Form 10-K, at the very top of the document under Forward Looking Statements, the first risk item listed that could materially affect results is:

  - our relationship with, and our ability to influence the actions of, our distributors;

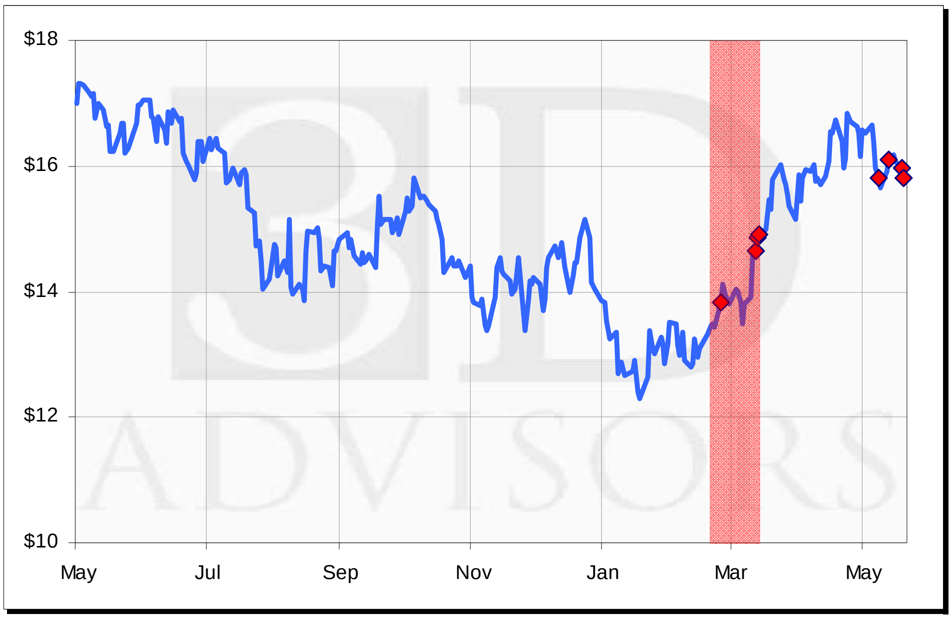
Inland Real Estate Corp. (NYSE: IRC)

- There is new information to report regarding a long idea, Inland Real Estate, we initially highlighted in a 04/03/08 *Research Notes* report. In our earlier coverage, we highlighted the sizeable open market purchases of then Chairman **Daniel Goodwin** (64) along with a few smaller sales by other key officers and one director. In all, insiders laid out $4.1 million to pick up 296,000 shares in the $13 to $14 range. While insider buying is usually a good indication management sees value in the shares, we were much more interested in Goodwin's simultaneous put writing activities. Put writing by corporate insiders remains perhaps one of the rarest of bullish insider actions we've highlighted for our clients over time, with this IRC activity being the first we have found in more than two years. By selling puts on their companies' shares at low prices, insiders who do so subtly signal a willingness to accumulate the shares at the contract price level.

- There are some significant changes that have taken place within Inland's management hierarchy in the past six weeks. For one, Goodwin handed over his chairman role to board member **Thomas D'Arcy** (48) on April 24th. At the same time it was announced that CEO **Robert Parks** (64) was leaving his executive position and did not intend to stand for board re-election and would be replaced by COO

Mark Zalatoris (50), who was hired to serve as the Company's chief financial officer in 2000. Apparently Goodwin has confidence in the new leadership team as he resumed his put writing after both the announcement and first quarter earnings were released on May 6th. From May 8th to May 20th he sold 490 contracts (49,000 shares) with a strike price of $15 and another 110 contracts (11,000 shares) that carry a $17.50 exercise price, each of which has a December 20, 2008 expiration date.

Figure 5. IRC Daily Closing Price, 05/01/07 through 05/21/08. Red shaded are is where 4 insiders purchased shares; Red diamonds are where Director Daniel Goodwin wrote puts. Source: Reuters and IRC SEC Filings.



- Based on Goodwin's aggressive stock buying combined with the selling of puts, some of which were close to the money, it is apparent he does not anticipate any significant downside. This contradicts a sell-side analyst downgrade on April 2nd that predicted the shares were at risk of falling 10% to 15% due to valuation. With REITs, and more notably the shopping center operators, beginning to show signs of a recovery (index up 10% in past three months), Inland Real Estate could be an interesting play. Based on the success rate of past put writing examples we have seen over the years, Goodwin's activity bodes well for IRC shares.

Life Time Fitness Inc. (NYSE: LTM)

- The recent price softness in upscale health club operator Life Time Fitness has provided management with an opportunity to acquire shares at prices not seen in more than two years and they have taken full advantage. While the insider sentiment associated with the open market buying is easy to discern, the more significant indication to us in that management sees long-term value as these prices come from some more stealthy transactions that have probably gone unnoticed by the casual investor and mainstream financial media. These two rare transactions coupled with the insider open market buying and acquisitions through option exercises give us the impression Life Time Fitness shares stand to build on their recent advances.

- On May 13th a Form 4 was filed on behalf of Founder, Chairman, and Chief Executive **Bahram Akradi** (46) that showed multiple transactions. First was the acquisition of 37,500 shares via the exercise of stock options not set to expire until March 2015 which carried a $25.47 strike price. It is unclear if these were incentive or non-qualified options, but they were the only vested options he had available to exercise. Next on the filing were open market purchases totaling 11,800 shares at $36. These were Akradi's first ever open-market purchases and the first time he has ever exercised options and retained the stock. These acquisitions came at an out-of-pocket cost of $1.3 million. What does not show up on any insider data reporting website is Akradi's cancellation of a forward sale contract he entered into in December 2005, which we initially reported in a 12/14/05 issue of *Research Notes*. Akradi previously sold forward 296,000 shares for which he received an upfront cash payment of $11.5 million. At the time LTM had just traded to a record high of $40. In order to close the contract four years before the contract settlement date and retain the pledged stock, Akradi paid the undisclosed third party (buyer) $11.2 million in two installments on May 9th and May 12th. To say it is rare for us to see an insider close out a large derivative contract in cash this far in advance would be an understatement, yet, it happened twice at Life Time in a matter of days.

Figure 6. LTM Daily Closing Price, 05/01/07 through 05/21/08. Red diamonds are the dates where CEO Bahram Akradi and SVP Jeffrey Zwiefel cancelled their forward sales contracts. Source: Reuters and LTM SEC Filings.

- Just a few days later (05/13/08) Senior V.P. of Life Time University **Jeffrey Zwiefel** (45) spent $1 million to close out a 28,000 share forward sale he entered into in November 2005. The pledged shares, which he was obligated to deliver either in stock or cash in November 2012, now account for roughly 70% of his actionable position. Since March the insider outlay to acquire stock, including the contract cancellations, totals $16.9 million. Other notable traders during this period include Directors **Joseph Vassalluzzo** (60) and **Stephen Sefton** (52). Vassalluzzo, a board member since 2006, spent $1.4 million to buy 50,000 shares on March 3rd, which increased his holdings by 500%. He currently holds a board seat at three other publicly traded companies and has made his few purchases at these firms count, as two of the three in the past ten years preceded six month gains of 30%. Sefton has been on LTM's board since 1996 and made his first purchase on May 14th, putting up $700,000 to buy 25,000 shares. He reinvested about one-third of the profits from the 40,000 shares he sold in August 2007.

- To this we add that nearly each of Life Time's executive officers is currently participating in the Company's Employee Stock Purchase Plan (ESPP), including COO **Michael Gerend** (43) and General Counsel **Eric Buss** (41), each of whom acquired stock either on the open market or through option exercises in March. And CEO Akradi announced in March that he would forgo cash salary and cash incentive compensation in 2008, taking only restricted stock that can be forfeited if the Company does not meet certain financial targets. Obviously he has confidence in the year after the Company initially offered profit and sales guidance on February 22nd that fell short of Wall Street expectations. Thus far the guidance has proven on the conservative side as Life Time's first quarter earnings reported on April 24th surpassed the consensus, prompting LTM to marginally raise the bar for the full year. The shares are now up more than 50% since falling to $25 in March, but based on CEO Akradi's and SVP Zwiefel's May activity, it would seem they see long-term value in the shares.

<u>MasterCard Inc. (NYSE: MA)</u>

- Judging by MasterCard's stock performance, the Company is yet to feel any effects from the decline in consumer spending. While the broader financial sector suffers from the credit crunch and onset of an economic downturn, MasterCard and its closest rival Visa, Inc. (NYSE: V) continue to outrun even Wall Street's lofty earnings projections. MA more than doubled its earnings in the first quarter reported on April 30th, besting the analysts' consensus by 30%. The shares are up nearly 30% on the year and short of a few known legal threats, there do not seem to be any other downstream risks that can slow the relentless momentum. But MasterCard's exec team certainly has not behaved as though they share the same confidence as Wall Street. As we reported in an *Insider Research Bulletin* posted on 03/25/08, insiders began unloading their ownership in October and have carried on their profit taking since our last coverage, drawing their holdings down to critically low levels.

- MasterCard insiders made quite a statement when they collectively spent $10.6 million to buy shares in the May 2006 IPO. These investments paid off handsomely for them and a number of officers entered into 10b5-1 plans in August to capitalize on the gains. But from this point on the behavior and related disclosure has been both misleading and opportunistic with an outcome that has to this point been one of the most sweeping diversification efforts we have seen at any Company this size in years. After selling 125,000 shares in 4Q07, the executive team has since sold another 300,000 shares in 2008, wiping out not only the shares they owned prior to the initial offering and those purchased in May 2006, but also those options and restricted shares that have vested since.

- At the top of the list of more recent sellers is named executive officer Vice Chairman **Alan Heuer** (66), a 13-year executive who served as MA's chief operating officer between 2004 and 2007. After selling 50,000 shares in November, Heuer sold his last remaining 60,722 shares of common on May 2nd, getting out just before the shares fell off their all-time high prices. The two rounds of sales erased 82% of his holdings which will not be replaced by the 36,000 options and shares scheduled to vest by year-end. Just before the Q1 earnings release President, CEO **Robert Selander** (57) continued selling under a 10b5-1 sales plan entered into last August. To date he has cashed in 40% of his available holdings (112,000 shares) under this plan, including 40,000 in March and April, and has now shed nearly all stock bought in the IPO.

- As we pointed out in our last report, we are always alert to corporate head counsel, the persons responsible for policing insiders' Rule 10b5-1 activity, who themselves trade in a manner that defies the spirit of the Rule. MasterCard's in-house overseer, GC **Noah Hanft** (55), came squarely into our sights when he began trading under two simultaneous trading plans, sold a significant percentage of his holdings, and most importantly, went outside of both plans to sell additional shares. At this stage we are certain our clients are aware of the significance and risks associated with out-of-plan selling. For the *second* time in the past three months Hanft went outside of both plans to sell as MA reached record prices, this time cashing in 3,835 shares on May 2nd at $296. Just two weeks later he would resume his plan activity, monetizing his last available 2,678 options that had just vested in March. He has now sold 30,000 shares since October (85% of holdings), only one third of which will be replaced by December from the vesting of stock and options. Rounding out the recent sellers is Chief Administrative Officer **Michael Michl** (62), who cleared out his only remaining 2,678 options on May 6th which had just become actionable in March, and has now liquidated his entire position. This last sale was not reported as being part of his previous trading plan, so the sale was completely at his discretion.

Officer	Position	Actionable Common Stock	Vested Stock Options	% Ownership Sold Since Oct-07
Michael Michl	Chief Admin Officer	0	0	100%
Chris McWilton	Pres of Global Accts	4,500	0	87%
Noah Hanft	General Counsel	5,000	0	85%
Alan Heuer	Vice Chairman (exec)	0	24,085	82%
Gary Flood	Pres of Prods & Svcs	3,000	3,538	67%
Robert Selander	President, CEO	90,080	63,830	45%
11 Independent Board Members		0	0	No Sales

- With the current momentum behind the credit card transaction processors, it would be illogical for us to presume an imminent reversal based on the insider activity. However, their indifference to Rule 10b5-1 and unrestrained trading behavior that has erased 70% of the executive team's collective ownership should not be written off as a foreseeable response to the issue's gains. With trading plans still open, we could likely see the last remaining holdings completely eliminated in the near term, an outcome that should cause any shareholder great concern, especially considering the limited number of stock and options scheduled to vest downstream. With the rapidly rising valuations of both Visa and MasterCard, any unforeseen challenges could result in significant losses.

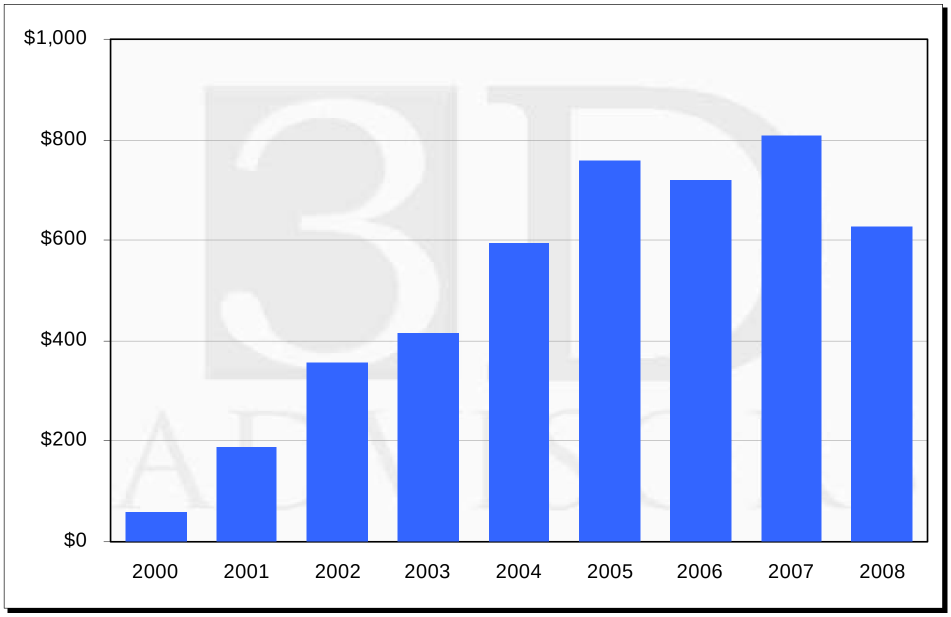
NVR Inc. (NYSE: NVR)

- The jury is still out on a housing industry recovery and no two analysts or economists seem able to come to the same conclusion. Of course, we prefer to take our clues from other areas, which in this case, originate from the insiders at NVR, Inc. As our clients might recall, we covered a round of director-driven sales in the first quarter in a 04/03/08 *Research Notes* report. At the time, certain board members (and one named officer) monetized freshly-vested stock options and averaged down with consecutive sales, even trading at levels well below their prior exit prices. The shares moved higher only to trail off once again after NVR reported first quarter earnings and sales on April 18th that fell 50% and 19% from the same period one year earlier, along with fading new orders. Into this regression surfaced three key insiders, including Chairman **Dwight Schar** (66), and their trades provide quite a revelation.

- Just two sessions after the Q1 earnings release Chief Executive Officer **Paul Saville** (52) surfaced with his first trade in nearly a year, selling 14,000 shares on April 22nd at $667. This after trading lower volume in May 2007 with the issue at 20% higher prices ($835). But Saville did not stop there. By May 1st he executed another six sales, including one at prices of $627, for a grand total of 75,000 shares disposed. In the last ten years Saville had never traded this many shares in any one period, or even in a full year, and the result was a 60% decrease of his actionable ownership. Also selling during this timeframe was Chief Financial Officer **Dennis Seremet** (52), who averaged down over three sales between April 22nd and May 7th. After first selling 7,000 shares at $675 his last sale of 10,000 shares came at the prices as low as $642. Seremet has not accepted prices this low for his shares since November 2004 and was last seen selling fewer shares in February and April 2007 at prices up to $840. His sales erased 36% of his available stock and options.

- Last but certainly not least is Chairman Schar, who always attracts attention when he surfaces. Case in point: the financial media had plenty to write about when he went out of pocket $50 million in November to add 118,000 shares to his position, a move that provided a degree of comfort to NVR shareholders after the issue was reduced to new lows. Those trades and the implicit bullish sentiment now seem like a distant memory as Schar sold those shares and more in May. Immediately after the conclusion of the six month short swing period associated with his earlier purchases, Schar began by selling 15,667 shares on May 8th at $630 and would trade in six consecutive sessions at successively lower prices, finally disposing of 162,753 shares with the last sales going off at $600. One week later Schar's actionable ownership was down nearly 70% and now stands at its lowest level (95,000 shares) on record. Taking into account the costs associated with the monetization of his last remaining 100,000 vested options, Schar netted $80 million before taxes.

Figure 7. Weighted Average Price at Which Insiders Sold NVR Shares. Source: NVR SEC Filings.



- These were the lowest prices Schar has sold at since he unloaded 102,000 shares in February 2004 at an average price of $450. To put this in perspective, his most recent sales in April and May of 2007 were executed at prices as high as $826. By reversing his November buys at the first opportunity, doing so at sharply lower prices than his last sale, and selling 70% of his holdings in the process, Schar's diminished confidence could not be made any plainer. We should also add that only once in the past 15 years has he reversed a purchase this quickly. That sale back in April 2002 proved quite opportunistic as NVR would suddenly lose momentum and give back 35% over the next three months.

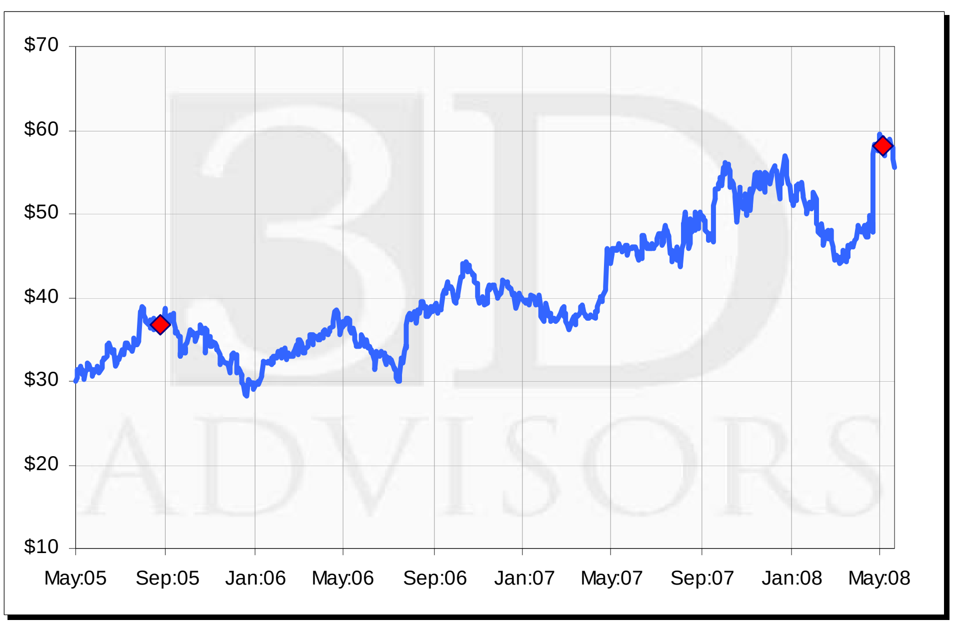
Teledyne Technologies Inc. (NYSE: TDY)

- It is not every day we hear of a sitting chief executive who files a short-term 10b5-1 plan to sell nearly 75% of his holdings and calls it 'estate planning'. Even rarer is the occasion that the same insider has a history of this behavior, the outcome of which has been the timely diversification of a significant amount of ownership during periods of extreme volatility. Such is the case at electronics components manufacturer Teledyne Technologies, where Chairman, President and CEO **Robert Mehrabian** (66) filed a personal sales plan shortly after TDY spiked 19% on a first quarter earnings surprise. And while we expect to see such plans adopted during open trading periods (typically in post-earnings windows), there are a number of reasons the insider behavior at TDY feels anything but routine.

- Teledyne released Q1 earnings of $0.77 per share on April 23rd, beating the Wall Street consensus by three cents. The gains were buoyed by a 21% sales increase in its largest business segment, Electronics and Communications, which accounted for 66.7% of the revenues in the quarter. This prompted the Company to increase full year guidance to $2.98 to $3.06, above the current analyst expectations, which investors greeted with fervor, trading the shares up 19% to a new all-time high. Two weeks later (05/07/08) the Company filed an SEC Form 8-K (no press release) disclosing that CEO Mehrabian entered into a 10b5-1 sales plan covering 315,376 shares to be distributed at pre-determined prices by October. It was reported the trading plan was established for estate planning purposes and are "not meant to reflect a lack of confidence in the Company or its future". But we ask how a stock plan, entered into after significant and sudden price gains, that facilitates the divestiture of 75% of one's actionable ownership is supposed to be interpreted. The nuances of this particular plan seem pretty self-explanatory and it really is an affront to shareholders to furnish such a specious explanation, in our opinion.

- Mehrabian's actions actually mirror his trading activities in late 2005, when he entered into a similar sales plan on 08/22/05 shortly after the Company reported a positive earnings surprise for 2Q05 that precipitated a 10% gain. Right after the earnings release he sold 61,000 shares and then allocated 50% of his actionable holdings (411,000 shares) for sale under the 10b5-1 plan. Shortly after the plan sales began TDY would reverse course, dropping 10% on 3Q05 earnings released in October, and would later close the year down nearly 25%. At the time it was identically reported that the shares were sold for estate planning purposes and did not reflect any lack of confidence in the Company.

Figure 8. TDY Daily Closing Price, 05/02/05 through 05/21/08. Red diamonds are the dates where CEO Robert Mehrabian entered into 10b5-1 trading plans. Source: Reuters and TDY SEC Filings.



- While our focus is directed at Mehrabian's behavior, there are in fact other officers who surfaced with their own sales after the first quarter earnings report. Just two sessions later (April 25th) CFO **Dale Schnittjer** (63) cleared out four series of non-expiring options (expiration dates: January 2010 to February 2013) to sell 44,200 shares, equal to 32% of his position. This was only his third sale in the past nine years and covered the same amount of shares as he sold in total with the two prior trades. Also selling was **Aldo Pichelli**, head of the Electronics and Communications segment, who disposed 3,800 shares on April 30th. This trade covered less than 5% of his holdings.