3D ADVISORS

Research Notes

February 27, 2008

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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

- Celanese Corp. (NYSE: CE)
- Comerica Corp. (NYSE: CMA)
- MEMC Electronic Materials Inc. (NASDAQ: WFR)
- People's United Financial Inc. (NASDAQ: PBCT)
- Riverbed Technology Inc. (NASDAQ: RVBD)
- SunPower Corp. (NASDAQ: SPWR)
- VistaPrint Ltd. (NASDAQ: VPRT)

3DAdvisors Research Notes

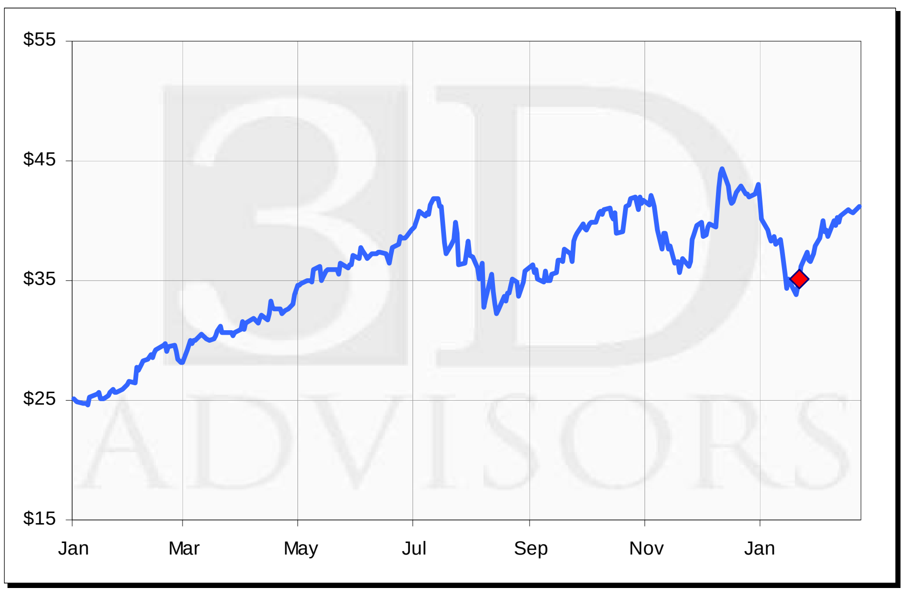
Celanese Corp. (NYSE: CE)

- We recently covered industrial chemical producer Celanese in a full report dated 01/24/08, as its insiders had been aggressively selling shares after the exit of The Blackstone Group which had left the Company burdened with heavy debt levels. Celanese management selling was clearly inconsistent with its bullish guidance and, given the Company's exposure to recession concerns, seemed quite telling to us. Since that report, new evidence would suggest that insiders have become increasingly more uncomfortable with the issue's valuation. Management continues to demonstrate a behavior that would imply a 'get out at all costs' mentality, which began with CFO **Steve Sterin's** short swing violation in January and has carried forward into February.

- In our prior report we covered management's dispositions and resulting ownership reductions that began immediately after the Company raised guidance for FY2007 at an investor conference on December 11th. Most of these sales were executed under the guise of pre-arranged personal sales plans, which as we pointed out, sharpened our interest due to their questionable timing. Two insiders, General Counsel **Curtis**

Shaw and Senior V.P., Strategy & Development **Jay Townsend**, did not take part in this December round, but had been selling earlier in the quarter. Both Shaw and Townsend commenced selling under 10b5-1 plans of their own on February 8th, selling 50,000 and 40,000 shares, respectively. Their sales have now set back their actionable holdings by 40% (Shaw) and 55% (Townsend). It is of particular interest to us that these sales were executed in the $37 to $38 range, roughly a 10% discount to their exit price in October and nearly 15% below where their peers sold in December. Since Celanese has yet to disclose any 10b5-1 plan details for any of its officers, it is unclear when they entered into these sales plans. We also do not know at this time if any of the plans commenced by the five executives since December have additional shares reserved for sale, but from our experience, we would assume they do.

Figure 1. CE Daily Closing Price, 01/03/07 through 02/25/08. CE insiders continued their selling following our report in late January (indicated by red diamond) and into February. Source: Reuters and 3DAdvisors, LLC.



- Also selling in February was Controller **Miguel Desdin**, who began in his current role in July when Steve Sterin was promoted to the CFO position. Desdin, who does not hold any common stock, vested in his first 10,000 options in January and monetized 5,000 of them at the intraday high on February 5th, the very day Celanese gapped up as much as 7% on its Q4 earnings release date. The sale cut his actionable holdings in half and he will not have any new options vest until next January. Desdin's behavior corroborates our observations to date that with or without trading plans, Company executives have seemingly timed their activity to coincide with rallies from company-sponsored releases. We also note the above mentioned activity occurred just days before the Company announced a $400 million repurchase program on February 11th. With a post-earnings trading window now open, we expect to see additional sales executed by this group.

- As we anticipated in the full report, Celanese did report higher-than-expected earnings for its fiscal fourth quarter and even raised its profit guidance for 2008.

Seldom do insiders sell, especially under newly-adopted trading plans, just before an earnings shortfall as it could raise questions as to the validity of the trading plans. But we continue to believe the Company will face more challenges in 2008 than many on Wall Street currently anticipate as evidenced by the disconnect between the bullish management guidance and the aggressive trading profile.

Comerica Corp. (NYSE: CMA)

- Even though there was a pullback in January's insider selling in the wake of the overall market sell-off, we are not surprised to see a resumption of insider sales activity in February at CMA. With share prices depressed, we are also not surprised to see that the size of the average sale by CMA insiders has dropped. It is unwise to ignore smaller trades at discounted prices, however, as this can reveal certain urgency on the part of those involved. This type of behavior, and its significance, is often missed by the casual observer.

- On January 18th Comerica released fourth quarter earnings that missed Wall Street expectations by 25% which the Company for a third consecutive quarter attributed to the downturn in the California and Michigan real estate markets, this prompting analysts across the board to slash their price and earnings targets. At the moment, all 21 analysts covering CMA have recommendations between 'sell' and 'hold', with one commenting after the earnings release, "We expect that the worst of this credit cycle is still yet to come, with the potential for further economic deceleration to spill over into commercial credit". It would seem management is in agreement, as three officers sold 12,400 shares on January 29th and January 30th at prices at $41 after reaching a high of $63 back in the middle of last year.

Figure 2. CMA Daily Closing Price, 01/03/07 through 02/25/08. Red diamonds are the two days where three insiders sold. Source: Reuters and CMA SEC Filings.

- Such small trades are easily overlooked, but a more thorough examination of the sellers' current ownership composition, not just going by the holdings reported in the Proxy Statement, reveals the significance of their behavior. First to sell was Vice Chairman **Joseph Buttigieg III**, a named executive officer, who sold 7,000 shares of common. This was the first time in the last ten years he touched his common, but it would seem his profit-taking options were limited as all 460,000 of his vested options are currently under water. The 7,000 sold had just been acquired when a stock grant covering the same number of shares vested and accounted for roughly 10% of his actionable holdings. With all of her vested options under water by 30% to 55%, CFO **Elizabeth Acton** surfaced with a sale of 2,400 shares the following day. Although she now reports ownership of 61,000 shares on the Form 4, nearly half of these shares are currently restricted.

- Lastly, **J. Michael Fulton**, president and chief executive of Comerica Bank, also sold 3,000 shares on January 30th. Like the others, he holds a number of vested options, though none is currently in the money and carry an average strike price of $52. The shares sold similarly covered roughly 10% of his actionable holdings. It is important to note that all three mentioned above were part of a consortium of ten execs and directors who sold last April when the issue reached a five-year high of $63 following the 1Q07 earnings release. Never before had we seen this many insiders trade all at once and it was easily the highest volume round of sales dating back to 1995. The fact that three insiders are now willing to part with their shares at 35% lower prices should not be discounted. In light of the Company's deteriorating fundamentals, it would seem they, like the sell-side community, are bracing for turbulent operating conditions ahead.

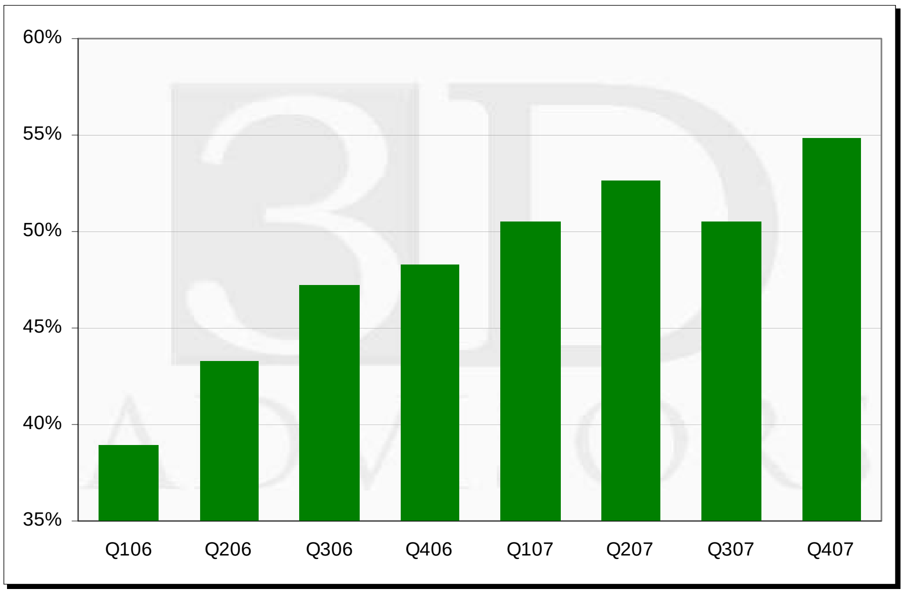
MEMC Electronic Materials Inc. (NASDAQ:WFR)

- WFR released Q407 and full-year results on Thursday, January 24th after the market close. For the quarter, even though the Company missed the consensus for net sales ($535.9 million actual versus $543.9 million consensus), they beat on income and EPS, and most remarkably, gross margins improved 23% from the prior quarter, rising 430 basis points to 54.8%. Additionally, WFR predicted fiscal first-quarter revenue above analyst estimates, and 2008 earnings per share significantly greater than analyst projections. Naturally, the shares rallied on the release and ensuing conference call, working their way up to a recent high of $81.55 on 02/22/08, a nearly 17% jump from the closing price the day before the release.

- There appear to be certain things in the release and conference call that may suggest the Company continues to drive its results and rely heavily upon sales of polysilicon in the spot market, even though management insists these sales play a minor role in its success while at the same time refusing to quantify their impact. Further, based on its aggressive guidance, the Company appears to be making the risky bet that the global supply of polysilicon will continue to be tight and support high spot prices through at least 2008. Management's continued lack of transparency and candor concerning spot sales and prices, certain items in the financial statements that suggest spot sales are much more important than stated and may represent an increasingly risky position for the Company, and the past and continuing aggressive trading behavior all combine to keep us very interested in WFR. See our most recent update on 11/15/07 for more details on these same issues.

- The combination of missing the revenue consensus in Q407, but beating on the bottom line while gross margins expanded a whopping 430 basis points could be explained by increased spot sales of polysilicon, at very high prices, and may suggest such sales played a much more significant role in the quarter's results.

Figure 3. WFR Gross Margin Percentage, Q106 through Q407. Source: WFR SEC Filings.



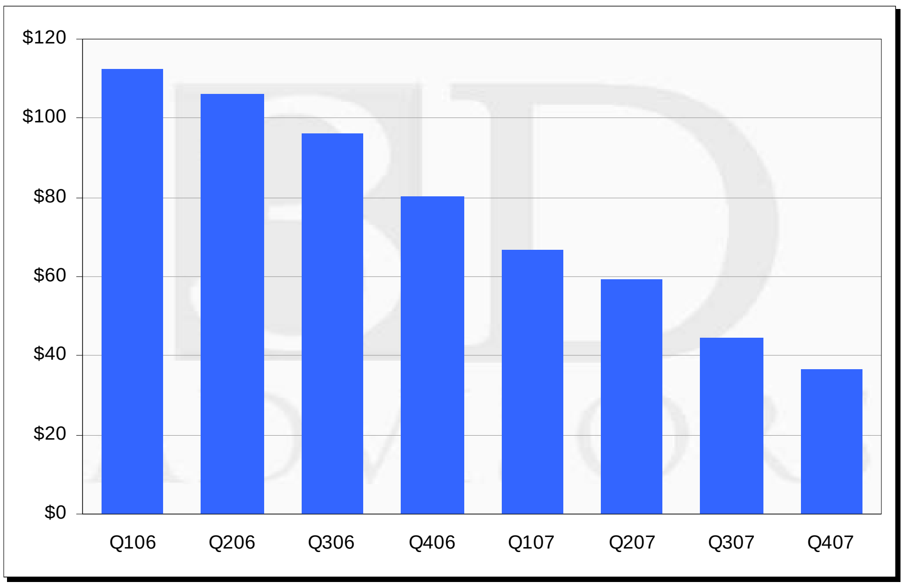
CEO **Nabeel Gareeb** claimed that the margin improvement came from increased sales volumes, better product mix (more 300mm and 156mm wafers), and lastly spot sales of polysilicon, "but that was a nominal factor in the whole process". If the impact of polysilicon spot sales was so nominal, why not disclose the details? In fact, the Company's explanation for the continuing margin expansion, and the role played by spot sales of polysilicon, has gotten progressively less detailed and terser. From the 2006 Q2 SEC Form 10-Q:

> The improvement [in gross margin] was primarily a result of the increased sales of polysilicon and other intermediate products (silane gas, partial ingots and scrap wafers) due to the favorable pricing environment driven by the industry's constrained raw material supply chain. In addition, higher wafer volume, improved wafer average selling prices and productivity improvements also contributed to the increase in gross margins.

In the Q407 earnings press release, the Company simply stated: "Increased product volumes were the primary driver of the increase in gross margin." Of course Gareeb could put to rest all the speculation about spot sales by disclosing volumes and prices, but he steadfastly refuses to do so.

- We have been monitoring inventories, as recorded on the balance sheet at the end of each quarter, as they have been progressively shrinking, dropping to just $36.4 million at the end of Q407. Some analysts have even asked during conference calls if they have fallen too low to support the business, but what they suggest to us is that perhaps the company is reaching a limit on how much excess capacity it has available to continue selling polysilicon in the spot market. In addition, the thin inventories may give the company less of a margin for error should there be even a short-term interruption in production. It is interesting that the Company blamed its revenue short fall in Q407 on the fact that it had to take some plant capacity off line for maintenance sooner than planned, and it also brings to mind the unexpected plant shut down in Q307 at the Pasadena, TX plant. Assuming contract customers get fulfilled first, both these events could have played a role in reducing inventories and shrinking the amount of material available for sale on the spot market.

Figure 4. WFR Inventories, Q106 through Q407. Source: WFR SEC Filings.



- Although this quarter has so far marked the first for which WFR insiders did not all together monetize stock and options immediately upon vesting, there were still a few who were willing to part with their holdings at prices well off the highs established in December. Most notable to us were the sales of **Sean Hunkler** (44), who is at the center of the recent plant closings and tightening inventories mentioned above as the SVP of manufacturing operations. He has now sold 58,450 shares since the fourth quarter at prices ranging from $73 to $78. Hunkler vested in 5,000 options on January 24th, which he would later monetize on February 4th at $78 under a 10b5-1 sales plan adopted on October 30th. Having since vested in a few thousand restricted shares, Hunkler's position reduction over the last four months stands at 92%. With the exception of the few remaining shares of common he holds, Hunkler will not have any equity to trade until more options become actionable in the third quarter.

- Also selling was Director **Richard Boehlke** (66), the long-time former chief finance officer at KLA-Tencor who has held a WFR board seat since 2001. It was not until December 4th that Boehlke surfaced with his first sale of 10,000 shares only to sell another 10,000 on February 22nd at $79. The two sales collectively shed 65% of his ownership, which is striking to us since he is one of two board members who own membership interest in WFR's former largest shareholder, TPG Wafer Holdings. The membership interests entitled Boehlke to receive proceeds from TPG's sales of WFR shares, which for him amounted to a total payout in excess of $20 million through 2007. Now that TPG has sold its entire stake, and considering Boehlke's windfall gains from the sales, we would have anticipated his holding the few remaining shares he still had. The other director with a TPG stake, **C. Douglas Marsh**, is yet to sell any of his WFR shares since the issue began trading in late 2003.

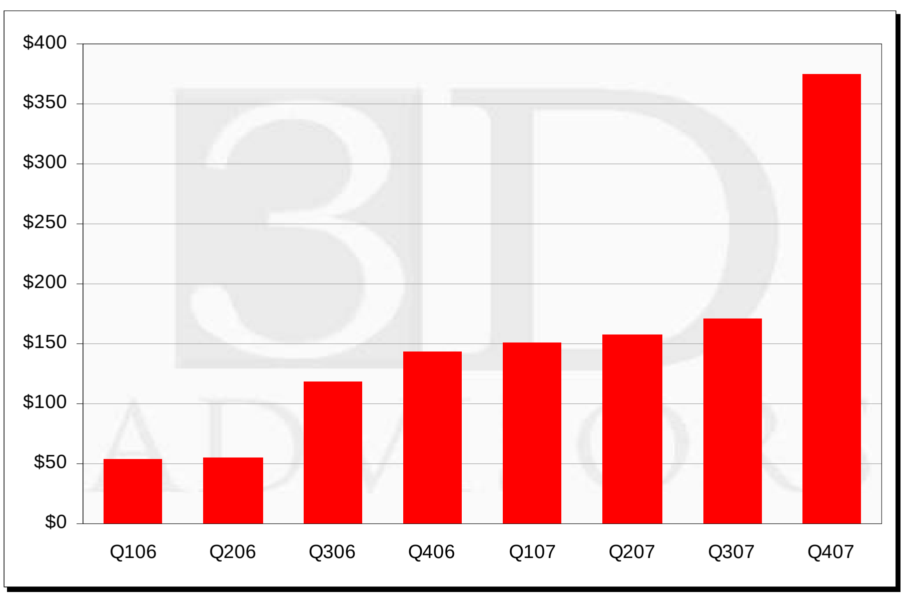
- Rounding out the more recent sellers was Chief Information Officer **Michael Cheles** (48), who joined the Company in September 2006 and has already embraced the trading approach of his colleagues. Cheles immediately monetized the first of his new-hire stock options in September and also sold one-half of the stock that became unrestricted on January 24th. The 638 shares sold leave him with only a few hundred actionable shares until additional options vest in Q3. With WFR gaining momentum off the January lows, we will be watching closely to see if more insiders act on some of their stock options that vested during the quarter.

- We had a couple of miscellaneous accounting-related observations concerning the Q407 results:

    - The Q407 results got a nice kick in EPS ($0.88) from increasing the valuation of the Suntech warrants the Company holds. If this were a charge, they would be quick to point out it is non-cash. Of course we don't see any mention of its being a non-cash credit, which of course, it is. That credit accounts for over half of the EPS for the quarter.

    - We are always interested when "Other Assets" recorded on the balance sheet jumps as there is the possibility the company may have capitalized items that were previously expensed, thus pumping up reported income. In Q407, Other Assets increased 119% sequentially ($203.6 million) to $374.4 million. We'll have to wait for the SEC Form 10-K to see the details.

Figure 5. WFR Other Assets, Q106 through Q407. Source: WFR SEC Filings.



People's United Financial Inc. (PBCT)

- Shares of People's United Financial, a Connecticut based savings bank with 30% of its assets consisting of residential real estate and mortgage loans (mostly adjustable rate), have inevitably underperformed since the issue began trading in April after the Company was converted from a state-chartered bank to a federal thrift. The shares have traded as low as $14 after initially being offered at $20. Company insiders, who bought into last April's subscription offering, have uninhibitedly unwound their positions in recent months at a loss, leaving us to suspect the issue has yet to find a bottom. Between October 22nd and February 12th six insiders sold 352,288 shares at declining prices from $18 to $16.

- In all our years tracking insider behavior, we cannot recall a situation where a group of insiders collectively sold stock at a loss. Even with the Dow losing 10% of its value since the fourth quarter, we cannot recall another example where even one insider at another company sold stock purchased within the last two years at a higher price. Needless to say, we were drawn to PBCT when we saw six insiders (five officers), including CEO **Philip Sherringham**, selling stock purchased months earlier at 10% to 20% higher prices. The only parallel situation we can recount occurred back in the late 90's when insurer Conseco provided loans to its officers to purchase stock, which only two execs later sold after the shares collapsed due to an ill-fated acquisition. This was a very different situation from People's as Conseco execs were playing with house money.

- The reason PBCT insiders waited until October to take profits is rather simple. Even though there was an abbreviated three month lock-up period associated with the April subscription offering, insiders who bought shares in the offering were in fact prohibited from taking profits for six months due to the short swing rule. Two insiders, Executive V.P. of Commercial Banking **Brian Dreyer** and Director **Jerry Franklin** moved quickly in October to sell once the short swing restriction lapsed and the others would soon follow, cashing in not just the stock purchased earlier, but monetizing options as well. Dreyer sold 35% of his actionable holdings, while Executive V.P. of Direct Banking Operations **Mark Vitelli** and Executive V.P. of Consumer Financial Services **Bryan Huebner** sold 35% and 45% of theirs, respectively. CEO Sherringham sold roughly 15% of his holdings in December, just weeks after assuming the acting chief executive position when **John Klein** took a medical leave of absence (Klein passed away in January). Please note: the Company has not disclosed the size of certain restricted stock grants issued to executives, so we narrowed our reduction figures to account for the indeterminate awards that vested this month.

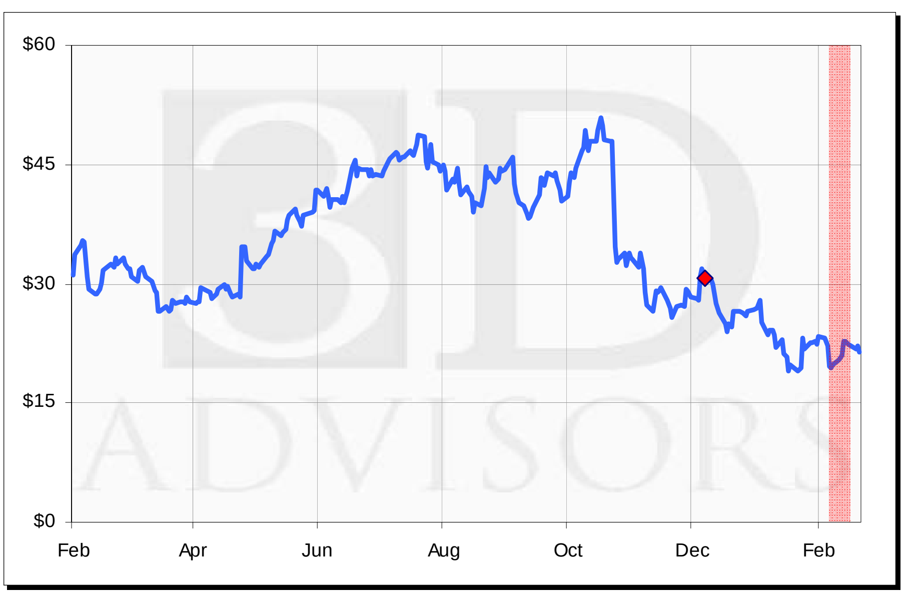
- Also coinciding with the end of the short swing period was shareholder approval for the 2007 Recognition and Retention Plan and 2007 Stock Option plan, which together reserve 22.2 million shares, or 7% of the outstanding stock, for compensation awards. The Compensation Committee immediately granted one third of the total to the nine executive officers, with the average stock grant and restricted stock award covering 270,000 and 550,000 shares, respectively. Although these awards were approved by an independent compensation consulting firm, they seem overly generous when weighed against past grant practices and viewed in the context of the current banking environment. We wonder if they were an added incentive to keep the officers around and focused for what they perceive to be a lengthy challenge. Nevertheless, the abundance of stock options scheduled to vest over the next few years does not rationalize their selling at a loss in our opinion.

Riverbed Technology Inc. (NASDAQ: RVBD)

- Many of our clients are aware that we have closely monitored executive 10b5-1 sales plans since the SEC adopted the Rule in 2002 to provide insiders a safe harbor for diversifying their ownership. Clearly, given the intent of the rule, it is understandable that most 10b5-1 sales do not represent significant behavior that indicates there may be underlying financial or operating problems at a company. However, an interesting percentage of the total number of 10b5-1 transactions occurring under such trading plans circumvent the spirit of the Rule, and do represent significant and important executive behavior that should not be ignored by investors. One such example is Riverbed Technology, a situation we initially highlighted in a 12/07/07 Research Notes. Since our first coverage we can report there has been a continuation of the same behavior, which those familiar with the Company can appreciate, is quite intriguing considering the issue's downhill course since October.

- We had previously mentioned how insiders had been persistent sellers throughout 2007 under their respective 10b5-1 plans while at the same time the group of initial institutional investors (Accel Partners, Utah Ventures, Lightspeed Venture Partners and Goldman Sachs) unwound their positions. Such behavior was validated when the high-flying stock collapsed 28% on October 24th after 3Q07 results and 4Q07 guidance fell short of meeting expectations. Rather than putting their plans on hold to resume selling after conditions improve, the top five executive officers, including Chairman, CEO **Jerry Kennelly** (57) and CFO **Randy Gottfried** (42), not only continued selling at the depressed prices, but actually increased their selling volume.

Figure 6. RVBD Daily Closing Price, 02/01/07 through 02/22/08. Red diamond indicates date of initial 3DA coverage, shaded region shows insider selling range following 4Q07 earnings release. Source: Reuters and 3DAdvisors, LLC.



- Riverbed insiders had an opportunity to redeem themselves in February after the Company issued 1Q08 guidance of $0.11 to $0.12, below the sell-side consensus of $0.15. The shares tumbled 12% to $19, after trading as high as $52 back in late October. Once again, insiders began selling just two sessions after the guidance release and attendant negative Street sentiment that accompanied it. Between February 8th and February 19th six insiders sold a total of 450,000 shares at an average price of $21. Included in this group was Lead Independent Director **Michael Kourey** (48), a member of the Audit Committee and chairman of the Nominating Committee, who apparently found these prices to be acceptable for his first sale, covering 25% of his position, since RVBD began trading back in September 2006.

- Also selling during this timeframe was CEO Kennelly, who had sold 233,333 shares in November at an average price of $30 and then later distributed another 166,666 shares in February at 27% lower prices. Each of Co-Founder, Chief Technology Officer **Steven McCanne's** (39) and CFO Gottfried's last six sales since August have come at successively lower prices starting at $44 until their last sales, covering 211,000 and 20,000 shares, respectively, were executed in February in the $21 to $22 range. While the sales to date by Kennelly and McCanne - each holds 5 million shares and vested options - have had a minimal effect on their total ownership, those by Senior V.P. of Marketing **Eric Wolford** (80% of ownership sold), Senior V.P. of Sales **David Peranich** (70%) and CFO Gottfried (40%) have had more striking consequences.

- While Riverbed has no aversion to issuing a press release for everything from customer satisfaction survey results to technology awards (14 press releases since January alone), the Company has yet to disclose any of its insiders' 10b5-1 particulars. Not only did they fail to address the initial plan adoptions in late 2006, they also did not address the across-the-board plan amendments last June ahead of 2Q07 earnings. But there are some plan characteristics that we can conclude from their individual trades. For one, we now can assume there are no price floors written into the plans, as evidenced by the fact the sales continue to be executed after the shares lost 60% of their value. As the table below shows, it is also apparent that the plans allow for the officers to sell more shares each quarter than they gain from vesting stock options. For example, CFO Gottfried had a total of 5,205 options vest since October and sold 120,000 shares. We also know that the plans do not limit their sales to cover the 25% or less of their actionable holdings, a limit recommended by most Section 16 advisors. While we are yet to see any out-of-plan selling, there is more than enough evidence for us to conclude Riverbed insiders have demonstrated behavior inconsistent with the spirit of Rule 10b5.

Named Officer	Position	Options Vested Since 4Q07	Shares Sold Since 4Q07
J. Kennelly	CB, Pres, CEO	41,665	433,332
S. McCanne	CTO, Director	41,665	328,000
R. Gottfried	CFO	5,205	120,000
E. Wolford	SVP of Marketing	20,835	88,978
D. Peranich	SVP of Sales	41,665	12,500

SunPower Corp. (NASDAQ: SPWR)

- Little has changed at SunPower since we initially covered the firm in a 06/05/07 Insider Research Bulletin. A bull case is still being made by the sell-side and insiders continue to monetize their stock and options at every turn, only now, the sales are being executed at prices 60% off the high of $165 set in November. There is clearly a disconnect between sell-side sentiment and the contrary behavior of SunPower management which, in our opinion, is the better gauge for the issue's fair value as we begin to see less of a growth rate consensus amongst the solar players than we had six months earlier.

- We saw the first chink in SunPower's armor on January 24th when the Company released fourth quarter earnings and provided guidance through 2009. While sales and earnings growth in Q4 were once again dramatic, guidance for 1Q08 and 2009 came in below expectations, dropping the shares as much as 19% intraday before closing down 7%. While many on The Street feel the investors' reaction was overdone, SunPower insiders did not show they were in agreement, as three insiders surfaced between January 25th and January 29th with the issue trading at the low $70s. So far there has been a total of eight sellers in 2008 who have disposed of 164,000 shares at prices as low as $59. The selling volume during the current quarter is admittedly below the quarterly levels over the last two years, but this may be for good reason: Insiders no longer have access to as many actionable shares as they did in prior years having already liquidated large percentages of their ownership (see table below).

Insider	Position	% Ownership Sold since Jan-07
Betsy Atkins	Director	100%
Howard Wenger	VP of Global Business	92%
P.M. Pai	COO	90%
Emmanuel Hernandez	CFO	87%
Daniel Shugar	President of Systems	85%
Richard Swanson	President, CTO	80%
Bruce Ledesma	General Counsel	76%
Thomas Werner	CEO, Director	56%

- Notable sellers after the earnings report date include Chief Executive **Thomas Werner** (47) and CFO **Emmanuel Hernandez** (52). Hernandez continues to monetize options immediately upon vesting each month under a 10b5-1 sales plan yet to be explained by the Company. The one million options awarded him upon his hire in 2005 are nearly gone and Hernandez still has not retained any of the acquired stock. CEO Werner has regularly sold 30,000 shares in each of the last eight months under a plan of his own, but increased the volume to 50,000 on January 29th *after* the shares sold off. At first it would seem that his sales might also be linked to the total dollar value of shares sold on a monthly basis, but the January sale was the largest based on value ($3.58 million) of any dating back to April.

- Also selling during this timeframe was Chief Operating Officer **P.M. Pai** (59), who has consistently monetized all available stock and options each quarter, including the 22,500 sold on January 29th at $73. The Company reported that Pai resigned from his position effective January 31st but will remain on board through July 31st to provide "certain services" and will be given a non-compete payment through year-end, all totaling $160,000. It is not clear what will happen to the 220,000 unvested stock options with a market value of $15 million he is currently sitting on, half of which is not scheduled to vest until after January 2009, but it would seem from the health care coverage provided him through year-end that all accommodations are being provided for him to capitalize on the equity. It is being speculated that Pai was not willing to relocate from his home in the Philippines to the San Jose, California headquarters, but it leaves us to wonder if there are other motivations for him to forego such an apparently rewarding opportunity.

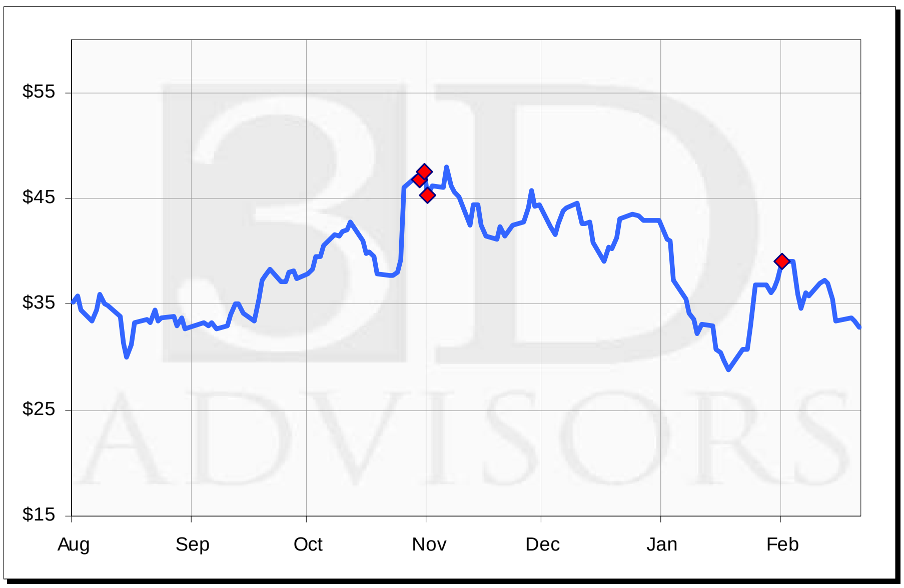
- In past reports we have also highlighted the aggressive selling by executives who joined SunPower in the January 2007 acquisition of solar panel manufacturer PowerLight. In addition to the sales by PowerLight CEO (now CEO of Systems) **Thomas Dinwoodie** (52) and V.P. of Global Business Units **Howard Wenger** (47), who sold 22,381 shares on January 29th, the activity of another former PowerLight officer has belatedly come to light. On February 4th a Form 3 was filed on behalf of **Daniel Shugar**, President of the Systems division (PowerLight) showing him to be a new Section 16 filer. It is not clear why there is a one year delay period between the time he joined SPWR and filed the Form 3, as he was required to file ten days after becoming an officer, but there is some very relevant information that can be construed. For one, early SEC filings related to the PowerLight acquisition show Shugar held a total of 486,000 SPWR options and shares (both restricted and unrestricted) at the time of his hire. His initial filing in February 2008 showed he now holds just 250,000, of which 180,000 are unvested. Shugar would then sell 20,000 shares on February 13th under an undisclosed 10b5-1 trading plan. As a result, it appears that he has shed 85% of his holdings under the radar over the past year without ever reporting the activity.

- There are few industries currently discussed more in the mainstream media these days than solar. The big question remains whether the amazing growth rates can hold up and exactly what the fair value of these players is. If the bubble has in fact burst on this group, you would not know it looking at the sell-side outlook, as 25 of the 33 analysts covering SunPower currently rate the shares a 'buy' or 'strong buy', without one analyst placing a 'sell' recommendation on the issue. Though the analysts might believe the shares have plenty of upside, it is difficult for us to ignore the behavior of a management team that continues to sell off its ownership at lower prices.

VistaPrint Ltd. (NASDAQ: VPRT)

- There is one thing we clearly cannot accuse VistaPrint insiders of lacking: persistent desire to sell off their holdings. As we reported in a 12/07/07 Research Notes, officers and directors have steadily unwound their pre-IPO option awards and moved on to exercising newer series immediately upon vesting. The light volume of their individual monthly sales, executed under personal sales plans yet to be suitably disclosed by the Company, has numbed the casual observer into discounting their importance. But investors should not pass over their continued selling *after* market volatility and light Q3 guidance dragged the shares down to the $29 price range after trading as high as $48. Equally important as the selling off the highs, President, CEO **Robert Keane** continues to sell shares outside of his open 10b5-1 plan.

Figure 7. VPRT Daily Closing Price, 08/01/07 through 02/21/08. Red diamonds are the dates that CEO Robert Keane sold outside of his 10b5-1 trading plan. Source: Reuters and VPRT SEC Filings.



- Since our last coverage insiders sold another 160,814 shares between December 12th and February 6th, driving the total volume since January 1, 2007 to 1,452,076 shares, or 3.6% of the outstanding shares as of 02/01/07. As we pointed out earlier, the selling volume in itself is not alarming, but the sales are beginning to have a more noticeable effect on certain insiders' holdings. CFO **Harpreet Grewal** (41) joined the Company in October 2006 and began clearing out his first batch of vested new-hire options and restricted stock immediately upon vesting in October. He surfaced again on January 3rd as his options once more became actionable, clearing out both options and stock, and currently has no exposure to VPRT shares. In similar fashion Chief Marketing Officer **Janet Holian** (47) continues monetizing her options immediately upon vesting under a pre-arranged trading plan, selling 60,625 shares since October. Her holdings are down more than 70% since late 2006.

- The foremost nuance of the trading profile is CEO Keane's persistence to sell shares outside of his existing 10b5-1 plans. Keane is apparently so determined to unwind his large ownership position that he adopted multiple plans in February 2007, similar to the ill-famed behavior of Countywide Financial's Angelo Mozilo, and has also gone outside of his plans three times in the past two years to sell additional shares. We cannot help but notice the fate of the issue after the first of these two specious trades. Keane sold 160,000 shares out of plan in May 2006 at $32 and less than three months later the issue traded down to $22 on fiscal fourth quarter earnings. He would surface again between October 30, 2007 and November 1st when the issue traded to a new all-time high, selling 250,000 more shares outside of his plan at prices up to $47. Once again the issue reversed course shortly after his activity, trading down to $29 by mid January. Now, with the issue having rebounded to the high $30s, Keane has sold 70,000 shares out of a family trust on February 1st. We have confirmation that his plans are still ongoing as he sold another 14,000 in plan throughout February at prices ranging from $34 to $38.

- Many of our clients are aware of the significance of insiders selling outside of their respective trading plans. Securities attorneys stipulate that such behavior is the biggest risk to jeopardizing the safe-harbor protection afforded by Rule 10b5, can raise suspicions as to the efficacy of the plan and be a potential trigger for an SEC inquiry. After implementing and carrying out such an unassailable plan, we can think of few reasons Keane would take such risk short of anticipating dramatic near-term volatility and wanting to protect his concentrated net worth. Director **Louis Page** (41) has demonstrated similar trading habits over the past few years, selling twice outside of his pre-established plan prior to volatility, and has divested 70% of his holdings. His plan sales continued in January 2008 at 35% lower prices than he sold at just weeks earlier and have continued into February. After VistaPrint insiders sold at an average price of $42 in the fourth quarter, their sales in 2008 have averaged $36. While one might under normal circumstances expect to see some plan cancellations at these lower prices, instead it would appear insiders have followed the lead of the CEO and intend to sell without any inhibition.