



This 3DAdvisors Report Covers:

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

Insider Research Bulletin

February 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

- ▶ Avnet, Inc. (NYSE: AVT)
- ▶ Hologic Inc. (NASDAQ: HOLX)
- ▶ Knoll Inc. (NYSE: KNL)

Discussion of 3DAdvisors Findings

Avnet, Inc. (NYSE: AVT)

There are plenty of believers in Avnet these days, as evidenced by the relatively low short interest (3.7%) coupled with the fact that the shares are trading near all-time highs. Since hitting a 52-week low of \$16.70 in July, the shares have climbed over 115% to their current level in the \$37 range. Besides the expected valuation concerns, there are few on the Street who find obstacles to Avnet's current momentum. The Company, largely through acquisitions, has grown earnings and revenues at an impressive rate over the past few years, solidifying itself as one of the top two players, along with Arrow Electronics (NYSE: ARW) in the electronics distribution business. While we fully appreciate this is a Company with plenty of analyst support presently behind it, the developing insider trading profile is compelling enough for us to increase our focus on the name. In the first two months of Avnet's fiscal third quarter ending in March, insiders have already distributed 1.11 million shares, surpassing, by more than two-fold, the record number of shares sold in any previous full year.

Although there has been a diverse group of sellers to date, the spotlight is front and center on Chairman, President and Chief Executive **Roy Vallee**, a thirty-year Company veteran. It was reported in a December 12th corporate press release, which oddly is no longer posted on the Avnet website, that he adopted a 10b5-1 personal sales plan “to effect the orderly exercise of certain employee stock options and the sale of the underlying shares over a period of eight months ending in August 2007. The options subject to the plan are from grants made in 1998 that expire in September 2008.”¹ Not only did Vallee clear out all reported 2008 options in a very “non-orderly” two months, but then shortly thereafter he monetized the remainder of his September 2007 options just one day after he was quoted in a published interview commenting that he still believes the shares trade at a discount following their run-up.² These options were priced just 8% below market at the time of his exercise and sale, leaving us to wonder why, if Vallee is so confident AVT shares are presently undervalued, he was not willing to hold the options for another seven months to potentially reap higher profits on these long-held options. And this is just where things start getting interesting.

Insider	Shares Sold 4Q06 & 1Q07	% Ownership Change	Options/ R. Stock Vesting in 2007
R. Vallee	596,196	-30%	189,980
R. Hamada	100,220	-80%	34,129
H. Feldberg	47,758	-25%	37,851
R. Sadowski	90,000	-30%	31,892
D. Birk	185,494	-70%	30,291
E. Kamins	98,514	-80%	30,146

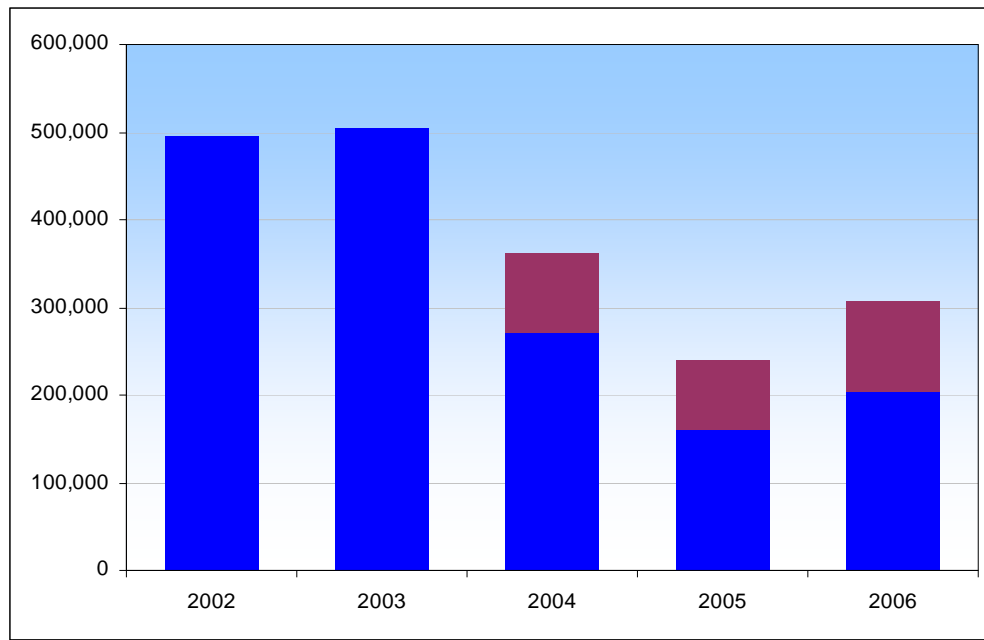
Naturally, the Vallee press release disclosing his 10b5-1 plan made no mention of the forthcoming sell-off by his management team, including operating and non-operating executives, nor significant sales and holdings reductions by veteran board members. The average ownership reduction for the top six selling executives was over 50%, while the figure climbs to nearly 65% for the directors. What makes these reductions even more notable is the fact that, as the table above shows, far more shares were sold by each individual over the past two quarters than he will have vest by the end of 2007. In fact, with the exception of Division President **Harley Feldberg**, each exec sold more than he will gain in newly-actionable options and restricted stock over the next three years. Their ownership has been voluntarily depleted to levels not seen in the past five years, thus reducing their ability to take further profits downstream. It is quite evident, based on the declining number of options and shares issued them over the past two years, that future vesting will be lighter than past years. Even though restricted stock has become a growing component of their annual compensation, it has not been

¹ “Avnet’s Chairman and Chief Executive Officer Adopts Rule 10b5-1 Trading Plan”, Press Release via BusinessWire-First Call, December 12, 2007.

² Investor’s Business Daily, “Electronics Parts Distributor Avnet Finds Many Profitable Acquisitions,” By James Detar, Posted February 7, 2007.

enough to offset the significant decline in options granted. Figure 1 below shows the annual progression of grants issued to the Company's top five executives, and although there was a marginal rise between 2005 and 2006, last year's awards still covered 40% fewer shares than were awarded in 2003.

Figure 1. Cumulative Stock Options (Blue) and Restricted Stock (Red) Granted to Avnet Inc.'s Top Five Executives. Source: AVT SEC Filings.



To the casual observer, it would seem that *some* of the active Avnet insiders have exercised options and retained some of the underlying shares, giving the appearance of actually increasing their common holdings. We would caution against making such a conclusion: In spite of the fact that, in some cases, common holdings seem to have risen due to the retention of a portion of exercised-for shares, the *actionable holdings* (common shares plus exercisable options) of the individuals involved have actually dropped. To this, we note that these executives have retention requirements that take effect when an executive is not in compliance with the mandated common stock ownership guidelines. If the requisite amount of stock is not owned, senior executives are required to retain an undisclosed amount of stock in any option-related transaction until the target is attained. There were a number of these retention transactions during the quarter, which we find rather curious since an increasing share price effectively lowers their ownership targets. It seems that certain execs have been out of compliance for some time and a closer look at the language used, or really not used, in the most recent Proxy Statement is all the evidence needed. Whereas the Company readily offers up notification that all of its directors have reached their targets, absent is any matching disclosure for executive officers.

Finally, CEO Vallee was not the only insider "skimming" options by taking action on those with strike prices close to the market price. Most notable was Chief Operating Officer **Richard Hamada**, who, on the way to monetizing all his vested options, cleared out a series with three years remaining before expiration that yielded a slim profit.

Despite retaining a few shares in his recent profit taking, Hamada has yet to meet his ownership target which is supposed to be attained this year. Division President Harley Feldberg paid \$31.63 to exercise options which he immediately sold for \$33. The trade yielded such a slight profit that it would seem to have been more advantageous to hold the options seven more months or, at least, the underlying shares, given management's bullish outlook for the shares. Instead, by acting early, Feldberg seems to have been more concerned that any waiting carried the risk that the options would either be underwater or the shares exercised for would be trading at lower prices down the road. Skimming, such as we see in these two cases, represents classic examples where insiders seem to be betting that the shares have little upside left in them, or may even be over-valued at present levels. Below is a more descriptive account of a few of the notable Avnet sellers:

- **Roy Vallee (54)** – Chairman, CEO. Vallee made his boldest move to date in the first quarter, monetizing two of his older options series (expiration dates: September 2007 and September 2008) and selling all 600,000 shares between January 8th and February 8th. The shares disposed were greater than the amount he had sold cumulatively during his fifteen years as a Section 16 filer. Clearly, the issue's valuation contributed to his actions, as did the imminent expiration of one particular option series. However, those options, which were priced very close to market, could have been held for another 8 months had he expected there was any upside for the shares in the near-term. Ditto for those he cleared out which were not scheduled to expire for another 20 months. Vallee continues to hold a respectable amount of stock and options, both vested and unvested, but this does not change the fact that the shares recently sold **accounted for 30% of his actionable ownership and his holdings are now at the lowest level since 2001**. These shares will not be fully replaced by the 190,000 options and restricted shares that will he will have vest in the third quarter of 2007 (see Appendix A).
- **David Birk (59)** – Senior V.P., General Counsel, Secretary. Birk closed 2006 by selling 110,000 shares, more than he sold between 1993 and 2005 combined. This year has been much of the same as he sold 75,422 shares on February 6th at \$32. In all, he tapped into six different option series with expiration dates ranging between February 2007 and September 2013, with those expiring this month accounting for just 6% of the total exercised. Although he did not sell all exercised for, **the end result of his activity over the past two quarters was a 70% reduction of his actionable holdings**. With just 46,000 options and some common stock now at his disposal, it will be interesting to see if he acts again before August and September when derivative equity, 30,000 shares, will vest and become actionable (see Appendix A).
- **Richard Hamada (48)** – Senior V.P., Chief Operating Officer. Unforced by looming option expirations, Hamada began monetizing his options in November and by February had cleared out the entire lot. After selling 34,115 shares on November 10th, stemming from the exercise of three option series with six to eight years remaining before expiration, he then tapped into three additional series to sell another 66,105 shares. Included in the options monetized in February was a series priced at \$28 with a term through 2010, which he sold for a slim pre-tax profit of 12%. There is little rationale for Hamada to act this early unless he had concerns about AVT shares retaining their current valuation for the next few years. After having never sold more than 20,000 shares in any one year, he has now sold 100,000 over

the past three months, **shedding more than 80% of his ownership**. With the number of options and restricted shares scheduled to vest downstream (see Appendix A), it will take four years for him to replace what was recently distributed.

- **Edward Kamins (57)** – Senior V.P., Chief Operational Excellence Officer. In charge of improving nearly all of the Company's operational functions, Kamins has held his current title since July 2005 after two years as the Company's chief information officer. Like many of his peers, Kamins undertook an extensive diversification effort in the first quarter, **monetizing 80% of his holdings**. After selling just a few thousand shares in 2006, Kamins exercised options from eight different series, a broad stroke by any measure, between January 30th and February 14th, selling the majority of the shares (98,514). Even though he did increase his common stock holdings by a few shares, we are much more interested that he monetized all his vested options and will not hold any until 27,000 become actionable in the third quarter (see Appendix A). As is the case with all execs, he will not have enough vesting over the next few years to replace what was distributed in recent months.
- **Avnet Board Members** – Avnet's directors have been just as active as the executives, with four of the eight independents having sold in February. Over the years, this has not been a group known for selling, as the sell-to-buy ratio between 1993 and 2006 was just over 1.5 to 1, with just 2,800 shares having been sold by board members in the past 9 years. Now though, four directors with a combined tenure of 46 years, who spent years building up their ownership levels, have sold between 45% and 75% of their actionable holdings, which in this case, excludes their deferred phantom stock. The Company requires its directors, including recent sellers: **Eleanor Baum** (67), **J. Veronica Biggins** (60), **Lawrence Clarkson** (69), and **Ehud Houminer** (67), to each hold 10,000 shares of common stock, but allows deferred shares to count towards meeting their targets. If this requirement was not as lenient, a number of board members would not currently be in compliance.

Hologic Inc. (NASDAQ: HOLX)

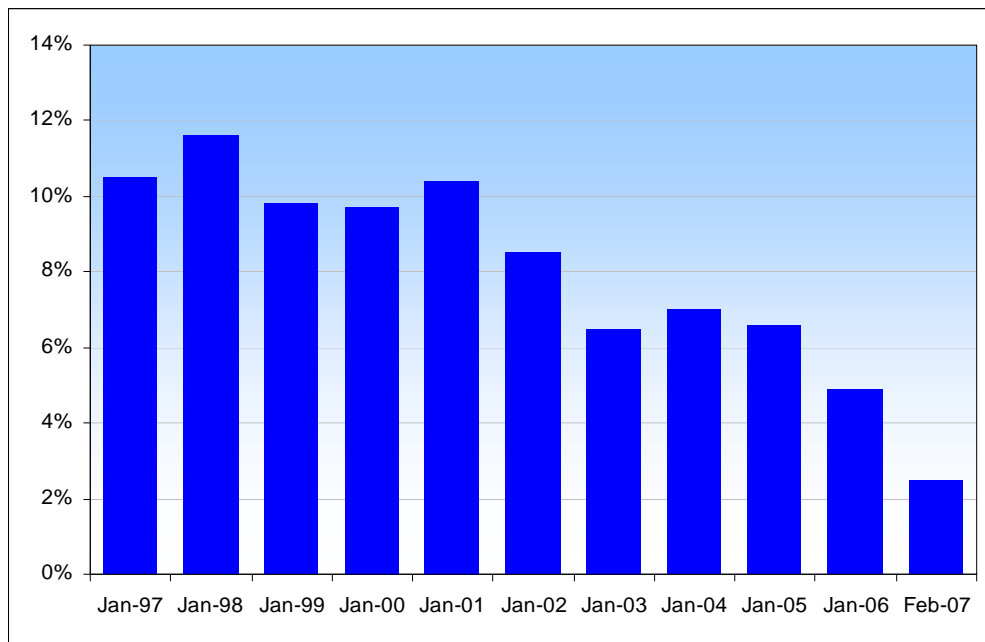
Since the 2003 roll-out of Selenia, Hologic's groundbreaking full field digital mammography system, the Company's earnings and revenues have been on an unprecedented growth spurt. In the four year period between FY1998 and FY2002, HOLX revenue increased from \$115 million to \$190 million (65%) while net income decreased from \$10 million to \$179,000. Since Selenia, revenues grew 143% to \$462 million while income spiked to \$27 million by the end of FY2006. As a result, shares of HOLX have appreciated more than 850% during the same timeframe. Insiders have responded by taking profits, and although it is difficult to distinguish reasonable from excessive selling after such an extreme run-up, we are more interested in the implications of the low levels of ownership they have left themselves for future profit-taking opportunities. Three of the top five Hologic executives collectively now hold roughly 5,000 shares of common (in addition to vested options) and the amount of stock that will become actionable downstream has dwindled from years past, leaving us to suspect management sees the shares as being richly valued at this level.

Between 2004 and 2006, while the upsurge of Hologic shares was underway, the insider selling volume averaged just over 200,000 shares per quarter. So far through the first two months Q107, the volume has already reached nearly 900,000 shares, setting

the stage for an unprecedented number of shares to be sold over the full year. The average ownership reduction for the Company's top five executives is greater than 60%, while three independent board members collectively sold nearly 90% of their holdings. As a result, the total beneficial ownership of Hologic executives and directors is now down to 2.5%, well below the historical norm of 8.5% (see Figure 2 below).

While their patience in waiting for higher prices clearly paid big rewards, the pace of their latest activity suggests that the timing of the recent sales has just as much to do with a possible sentiment change as valuation. With very encouraging growth targets established for the upcoming year, we suspect management members would have held more of their shares even longer if they believed the share price would continue to keep pace with sales and earnings increases.

Figure 2. Beneficial Ownership of Hologic Executives and Directors (Based on a Percentage of Shares Outstanding). Source: HOLX SEC Filings.



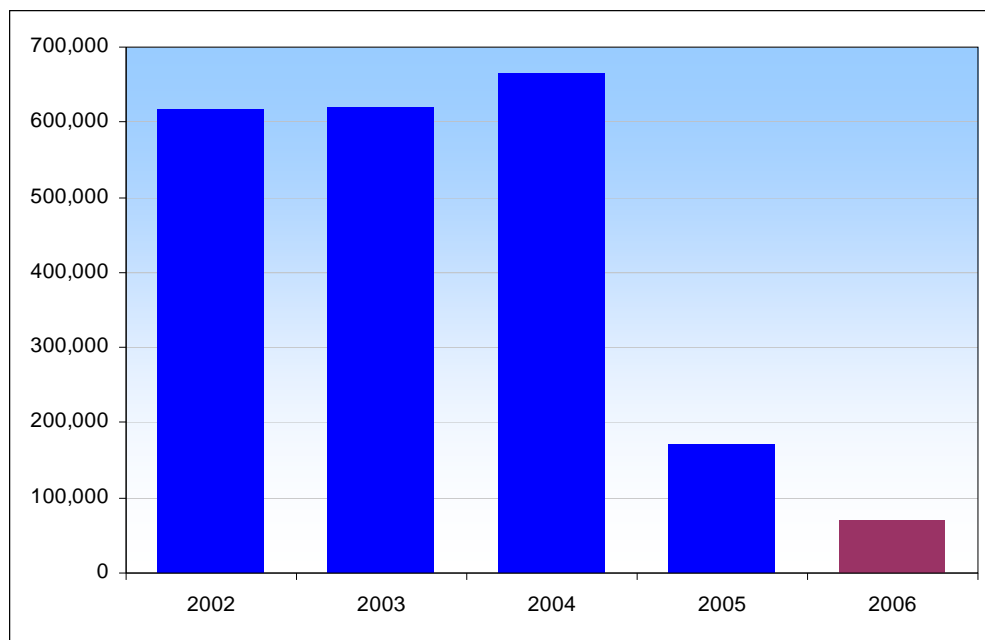
Piecing together the ownership of Hologic's executives proved to be more challenging than most other companies we have analyzed. While the Company has provided an accurate account of the number of stock options granted in proxy statements and Form 4 filings, there have been a number of years' grants where vesting schedules have not been provided. We have also seen instances where a proxy lists two or three grants in the same fiscal year and the only disclosure is "options vest at various rates between one and four years", making it very difficult to assign the proper terms to a specific series. Regardless, we are very confident in the accuracy of the ownership reductions provided in this report, but take exception to the transparency of their option disclosure. We also note, with particular interest, that their most recent option grants issued in 2004 and 2005 are already fully vested, including those issued on September 15, 2005, which vested in full on the grant date. Issuing options that vest

in such a short timeframe contradicts the Company's compensation philosophy which is supposedly aimed at facilitating the attainment of long-term goals.³

Apparently, granting options with shortened vesting periods is no longer an issue, as the Compensation Committee has implemented an alternative strategy after the adoption of FASB 123R. Accordingly, stock options will no longer be a component of compensation, as they have added a Supplemental Executive Retirement Plan (SERP), retention agreements, as well as utilizing restricted stock as the key long-term incentive component. Under the retention agreements, in 2009 Chairman, CEO **John Cumming**, President, COO **Robert Cascella**, and CFO **Glenn Muir** will receive cash retention bonuses of \$1.5 million, \$1 million, and \$500,000 on top of their regular base salary, bonus, and restricted stock awards.

The substitution of cash payments for a large portion of equity incentives coupled with recent insider sales has led to a noticeable decline in overall holdings of both vested and unvested stock-based equity. As Figure 3 below illustrates, their grants over the past two years have plunged and the consequence is a very low number of shares scheduled to vest over the next two years. This serves to bolster our view that management sees more value in holding cash at the present time over HOLX shares at current levels. With so much of the Company's success riding on one product (Selenia), questions regarding the remaining market demand for Selenia, and large competitors such as Fuji and General Electric coming out with competing products, there might be more than valuation concerns driving their behavior.

Figure 3. Cumulative Options (Blue) and Restricted Stock (Red) Granted to Hologic Inc.'s Top Five Executives. Source: HOLX SEC Filings.



³ The Company's Compensation Philosophy and Plan, Fiscal 2006 Proxy Statement, Page 17.

- **John Cumming (61)** – Chairman, CEO. During his nearly six years as Hologic's chief executive, Cumming had previously held only one round of sales, in the first quarter of 2005, in which he cleared out more than 70% of his ownership. Now, with the shares trading at considerably higher prices, he once again has cashed out much of his ownership. Between February 2nd and February 13th he tapped into six different option series to sell 607,500 shares, including some owned by his wife, which **accounted for 75% of his total ownership**. The difference between his 2005 and 2007 sales is notable, as he no longer has a steady stream of options vesting downstream. Over the next two years Cumming will have roughly only 92,000 options and restricted shares become actionable (see Appendix B), which will hardly replace those sold in the first quarter. After having ownership approaching 1 million shares at the start of 2005, his holdings are now below 200,000, including just 4,500 shares of common.

- **Jay Stein (64)** – Co-Founder, Chairman Emeritus, Chief Technology Officer. Stein meticulously sold under a 10b5-1 trading plan in 2004 and 2005, systematically selling between 32,000 and 40,000 shares each month. He kicked off 2006 with an immediate January sale of 287,000 shares at \$48 and most recently sold half of his remaining common stock, 170,000 shares, on February 2nd at \$56. He has now **liquidated 70% of his ownership since the beginning of 2006** and will have only 10,000 options become actionable over the next two years (see Appendix B). It is very unusual to see a company founder sell off this much of his ownership while still holding an executive position and being actively involved in the operations.

- **Robert Cascella (52)** – President, Chief Operating Officer. Having only recently joined the Company in 2003, Cascella has already sold \$12.5 million worth of stock, including the 60,000 options he monetized on February 2nd that had eight years left before expiration. **In the past year he sold 35% of his ownership**, or 110,000 shares, while he will have fewer than 60,000 become actionable over the next 24 months (see Appendix B).

- **John Pekarsky (53)** – Senior V.P., Sales and Strategic Accounts. Pekarsky joined Hologic in September 2000 when his company, Trex Medical, was acquired. After building a modest position through 2004, he sold the majority of it in 2005 and since has monetized his few remaining options nearly immediately upon their vesting. On November 10th he tapped into four different option series, none of which was set to expire before September 2012, and sold the 16,000 shares at \$45. He currently owns only 1,000 shares of common stock and will have just 3,500 options become actionable in the fourth quarter (see Appendix B).

- **Hologic Board Members** – Three of the Company's six independent board members all took action over the past three months. **Nancy Leaming (59)**, **David LaVance Jr. (52)**, and **Arthur Lerner (66)**, each a member of both the Audit and Compensation Committees, sold 42%, 100%, and 100% of their ownership, respectively. Since none of the three have been on the board for more than four years we would normally expect they would make an attempt at building their positions rather than selling everything or nearly everything owned. LaVance, the chairman and chief executive of Scivanta Medical Group (NASDAQ: SCVM), sold all his HOLX ownership and used the proceeds to add to his SCVM holdings. Board members were awarded a grant covering 8,000 options in January which will vest in full in on July 1st.

Knoll Inc. (NYSE: KNL)

Office furniture manufacturer Knoll has certainly been a beneficiary of the uptrend in the U.S. office market. Despite the issue's volatility since the 2004 initial public offering, it currently trades at an all-time high, mirroring the performance of most shares of nationwide office property REITs. At least one research firm has expressed its skepticism that office space growth can continue at the same pace this year, and actions from Knoll insiders certainly lead us to believe they have concerns of their own. The selling here is no new phenomenon, as management members have been gradually divesting themselves of their ownership over the past twelve months. Most impressive to us though is that they have managed to do so despite a number of lock-up periods that would typically prevent insiders from selling their shares, and more recently, some sly transactions have occurred outside of 10b5-1 personal trading plans. This quarter, six insiders sold 430,000 shares between January 3rd and February 20th at an average price of \$22, while an additional 225,000 shares were pledged through a forward sale contract.

Figure 4. KNL Daily Closing Price, 02/01/06 through 02/23/07. Red shaded area is where six insiders sold 430,000 shares. Source: Reuters and KNL SEC Filings.



Despite the proliferation of open market activity, Knoll first came to our attention when Chief Executive Officer and board member **Andrew Cogan** filed a Form 4 revealing that on February 15th he sold 27,000 shares of his common while also entering into two forward sale contracts covering a total of 225,000 shares, which together, accounted for nearly 85% of his common stock holdings. Not only has he pledged a large percentage of his direct ownership, but he has also done so in return for a discount of as much as twenty five percent (25%). This is much steeper than the 10% to 14% discount we are accustomed to seeing in similar contracts and is a good indication the counter party on the other end of the transaction believes there is a higher degree of risk in the shares at current prices. Alone, the reduction and discount had our interest, but a

closer look reveals that this hedge carries weightier implications than is apparent on the surface. According to a corporate press release⁴, Cogan adopted a 10b5-1 sales plan back in May 2006 under which he planned to exercise 417,500 stock options and sell all the underlying shares. The plan is to terminate once all shares are sold or by May 1, 2008, whichever ever comes first. At the time of the forward sale, only 367,560 shares had been sold, which implies the shares pledged under the forward sale on February 15th were executed outside of his sales plan.

Based on our research, we have created a methodology for analyzing 10b5-1 plans based on a number of different criteria that are useful in helping to identify potential negative behavior occurring under the cover of such plans (see [Special Report dated 06/17/05](#)). In this case, Cogan's behavior concerning his plan trading has violated two of the most significant criteria: using Rule 10b5-1 to shed more than 30% of his ownership (40% taking into account shares tied up in forward sales), and more importantly, going outside the plan to monetize additional shares. According to the Section 16 legal community, executives that choose to sell out of plan after adopting a trading plan put themselves at high risk of jeopardizing not just safe-harbor protection, but their credibility as well. The excerpt below was taken from a compliance and governance article written by two securities attorneys with specializations in litigation and regulation:

“A Rule 10b5-1 trading plan may elevate the litigation risk for any trades executed outside the plan. Because an insider is presumably meeting his needs for diversification and liquidity through his Rule 10b5-1 trading plan, a plaintiff would likely argue that any additional trades must be for another, illegitimate purpose. Accordingly, it is prudent for insiders to limit their trading to a Rule 10b5-1 trading plan.”⁵

Interestingly enough, many of the trading plan contracts filed with brokers that we have seen explicitly prohibit any hedging or derivative transactions while the plan is in effect. Knoll did not file Cogan's contract in any public documents, so we can not say with certainty his broker, or the Company, banned trading outside the plan or hedging, but regardless, he has left himself vulnerable to regulatory and investor scrutiny. These factors encouraged us to dig deeper into other insider behaviors and we were not disappointed.

Knoll sponsored two secondary offerings for shareholders in 2006, which typically would prevent insiders from selling after the offering for a period of 90 days. In the case of the first offering (February), the underwriters granted an exception that allowed Section 16 insiders to sell up to 15% of their respective ownership. For this particular lock-up agreement, their holdings were computed using non-actionable restricted shares, which speciously inflated their totals, facilitating the sale of even more of their actionable holdings. Needless to say, all of the execs sold their 15% immediately.

⁴ “Knoll Executive Establishes 10b5-1 Plan”, Press Release, May 25, 2006. The press release can also be found in an SEC 8-K filed on the same date.

⁵ “Individual Trading Plans Can Help Defend Securities Fraud Claims”, Compliance Week, by Lyle Roberts and Nicholas Porritt, July 7, 2004.

While the selling limitations associated with the first secondary offering were negligible, the second offering in August was much less restrictive for insiders and leaves us to wonder why the Company and underwriters even attempted to promote the existence of a lock-up period to the investor community. In this instance, only CEO Cogan, CFO **Barry McCabe**, and Chairman **Burton Staniar** entered into lock-up agreements, purportedly disqualifying them from selling for 90 days. But, like other allegedly-constrained trading activities at Knoll, this too had its loopholes. The lock-up did not apply to any pre-existing 10b5-1, which is ironic since both Cogan and McCabe had already entered into plans beforehand. Staniar, by the same token, was a participant in both secondary offerings, selling 60% of his ownership, so there seemed little reason for him to be named in the lock-up. In effect, there were no Section 16 insiders who were actually prevented from selling during this period despite the Company's attempt to give such an appearance.

Insider	Position	2-Year Ownership Reduction
B. Staniar	Chairman	90%
A. Cogan	CEO, Director	70%
K. Bradley	Div. Pres., Director	40%
B. McCabe	CFO	--
P. Milberger	General Counsel	95%
S. Grover	Senior V.P.	65%
A. Graves	Senior V.P.	40%

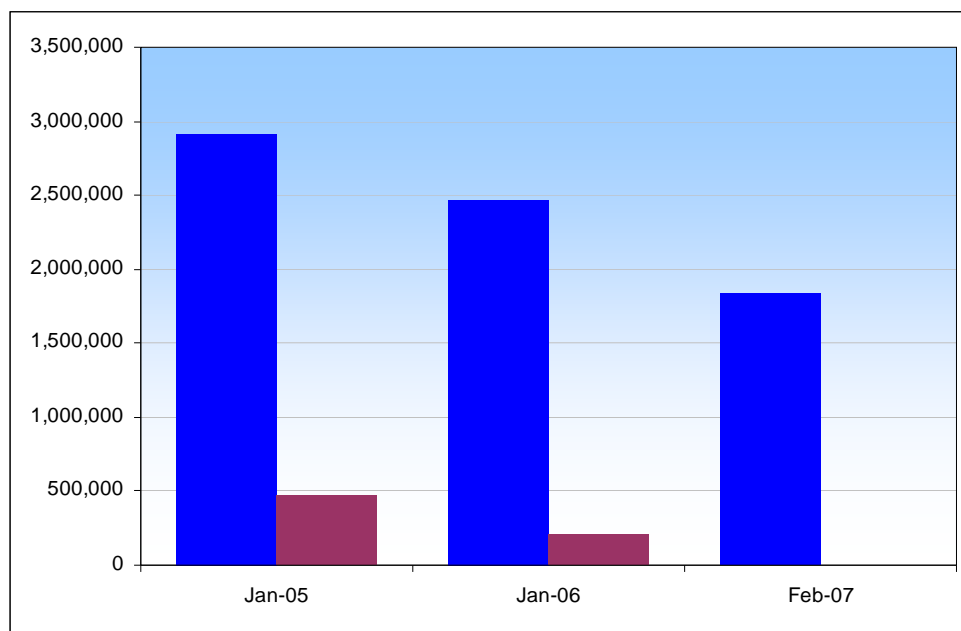
Without question, the Knoll management team has taken advantage of all opportunities afforded it to divest its holdings sooner rather than later. The ownership reductions over the past two years range between 40% and 95%, with many of the shares coming out in the past year. After owning 14% of the outstanding shares just two years ago, KNL executives and directors now hold just 5%. Making these reductions even more compelling is the actuality that none of the executives currently hold any unvested stock options that could make them whole downstream. They have not received new options since the IPO, and though we do expect to see new grants this year, even those should not begin to vest until 2008. They do however hold restricted stock, which according to our email exchanges with CFO McCabe, began vesting in February 2007 at a rate of 1/6 per year, but these will hardly be enough to restock their holdings.

There are a few relevant governance items we observed which in our estimation are noteworthy:

- Cogan sold forward his shares in exchange for an upfront cash payment of \$4 million just after the Company increased his base salary by 30% while also awarding him a \$1 million cash bonus for 2006, which was a 100% increase from his 2005 bonus. His sales over the past two quarters have netted him a pre-tax profit of \$4.3 million.

- Knoll's board currently has four members affiliated with Warburg Pincus, which had been the Company's largest shareholder before selling its entire position in 2006. None of these four directors holds shares, either directly or indirectly, yet have considerable influence over the board due to the long-term financial relationship with members of the executive team.
- Of the ten current board members, only three can be deemed truly independent, although the Company has deemed the Warburg Pincus affiliates as independent.
- In addition to a \$50 million stock repurchase plan commenced in November, the Company has an "Options Repurchase Program" whereby it purchases shares of its common stock on the open market using 100% of the cash proceeds from insiders' option exercises. It seems to us this program condones the insider selling and really, is not so different from the Company's buying stock back directly from the insiders.

Figure 5. Exercisable (Blue) and Unexercisable (Red) Stock Options Held by Knoll Inc.'s Top Five Executives. Source: KNL SEC Filings.



- **Andrew Cogan (43)** – Chief Executive Officer, Director. Cogan, a Knoll employee since 1989, has been a board member since 1996. His trading in recent months stands out amongst his peers, and in our opinion, represents atypical behavior for a CEO. Not only has he taken advantage of certain lock up period loopholes, he has also sold aggressively during unrestricted periods, and now looks to be skirting the spirit of Rule 10b5-1. He began selling under a personal sales plan on November 15th and by February 12th, sold 367,500 of the 417,560 shares reserved under the plan. Three days later he sold 27,842 shares of common in addition to pledging 225,000 shares to an undisclosed third party using forward sale contracts. All trades on February 15th were done outside of his sales plan. In all, Cogan has now **sold or**

tied up nearly 60% of his ownership in the past year and has no unvested stock options with which to replenish his ownership (see Appendix C).

- **Burton Staniar (64)** – Chairman. Staniar has been through it all with Knoll, having run the Company during its Westinghouse years and later orchestrating the 1996 LBO with Warburg Pincus. Regardless of his intentions to remain on the board, he has gradually **scaled back his holdings by almost 90% since the 2004 IPO** and now has comparatively little exposure to KNL shares. After holding 1.3 million shares at the time of the IPO, he now has just 52,000 shares of common. Most recently, he sold 127,000 shares between February 13th and February 15th, marking his largest round of distributions that were not part of a Company sponsored offering. Staniar does not have any unvested stock options (see Appendix C).
- **Patrick Milberger (49)** – Senior V.P., General Counsel, Secretary. Milberger, the Company's head counsel since 1994, has been on quite a selling spree. Since adopting a 10b5-1 trading plan in May 2006, he has sold 171,000 shares at incrementally higher prices between \$19 and \$22. During this period he has monetized all his stock options with expiration dates of October 2007, March 2010, and February 2012, and after **selling 95% of his ownership**, currently owns just 14,000 shares of common which vested earlier in the month. With no options, vested or unvested, at his disposal (see Appendix C), it will take quite some time before any future awards vest for his holdings to be replenished.
- **Stephen Grover (53)** – Senior V.P., Operations. After selling just 43,000 shares through the third quarter of 2006, Grover, who has responsibility for all purchasing, logistics, and product development and manufacturing operations, has sold 162,000 shares since November. All of the shares distributed were acquired when he exercised options with two or three years remaining before expiration, and **accounted for 50% of his actionable ownership**. His most recent sale of 30,000 shares occurred on February 16th at \$23. Like all of his peers, Grover holds no unvested stock options scheduled to vest downstream (see Appendix C).
- **Kathleen Bradley (56)** – President, CEO, Knoll North America, Director. Bradley has been with the Company for nearly 30 years and has been in her current position since 2001. Following the sell-off by CEO Cogan, she now has the largest ownership position of all Knoll insiders. Her sales have been more gradual over the past two years, but the result is a **40% decline in holdings since early 2005**. On February 6th she sold 25,000 shares under a 10b5-1 trading plan and then another 32,000 shares of common on February 16th and February 20th, all at roughly \$23. Following her trades, she still retains 161,000 shares of common and 937,000 vested options (see Appendix C).

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Option and Restricted Stock Vesting Schedules for Selected Avnet, 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
Roy Vallee, Chairman, CEO. Common stock holdings: 148,218 shares								
09/24/99	Options	300,000	\$21.50	09/24/00	09/24/09	300,000	0	Fully Vested
09/29/00	Options	210,000	\$28.75	09/29/00	09/28/10	210,000	0	Fully Vested
09/27/01	Options	325,000	\$17.50	09/27/02	09/26/11	325,000	0	Fully Vested
09/20/02	Options	325,000	\$12.95	09/20/03	09/19/12	325,000	0	Fully Vested
09/19/03	Options	325,000	\$18.13	09/19/04	09/18/12	325,000	81,250	09/19/07
09/23/04	Options	168,000	\$17.47	09/23/05	09/22/14	168,000	84,000	09/23/07, 09/23/08
09/23/04	R. Stock	56,000	N/A	09/23/05	09/23/09	33,600	33,600	09/23/07, 09/23/08, 09/23/09
09/23/05	Options	86,712	\$24.78	09/23/06	09/22/15	86,712	65,034	09/23/07, 09/23/08, 09/23/09
09/23/05	R. Stock	43,355	N/A	09/23/06	09/23/10	34,684	34,684	09/23/07, 09/23/08, 09/23/09, 09/23/10
08/10/06	Options	100,724	\$16.96	08/10/07	08/09/16	100,724	100,724	08/10/07, 08/10/08, 08/10/09, 08/10/10
08/10/06	R. Stock	50,360	N/A	01/02/07	01/02/11	40,288	40,288	01/02/08, 01/02/09, 01/02/10, 01/02/11
Raymond Sadowski, Senior V.P., Chief Financial Officer. Common stock holdings: 53,514 shares								
09/29/00	Options	19,000	\$28.75	09/29/00	09/28/10	19,000	0	Fully Vested
09/27/01	Options	25,000	\$17.50	09/27/02	09/26/11	25,000	0	Fully Vested
09/20/02	Options	50,000	\$12.95	09/20/03	09/19/12	50,000	0	Fully Vested
09/19/03	Options	50,000	\$18.13	09/19/04	09/18/12	50,000	12,500	09/19/07
09/23/04	Options	25,860	\$17.47	09/23/05	09/22/14	25,860	12,930	09/23/07, 09/23/08
09/23/04	R. Stock	8,620	N/A	09/23/05	09/23/09	5,172	5,172	09/23/07, 09/23/08, 09/23/09
09/23/05	Options	16,516	\$24.78	09/23/06	09/22/15	16,516	12,387	09/23/07, 09/23/08, 09/23/09
09/23/05	R. Stock	8,260	N/A	09/23/06	09/23/10	6,608	6,608	09/23/07, 09/23/08, 09/23/09, 09/23/10
08/10/06	Options	21,688	\$16.96	08/10/07	08/09/16	21,688	21,688	08/10/07, 08/10/08, 08/10/09, 08/10/10
08/10/06	R. Stock	10,845	N/A	01/02/07	01/02/11	8,676	8,676	01/02/08, 01/02/09, 01/02/10, 01/02/11
James Smith, President-Avnet Logistics. Common stock holdings: 2,676 shares								
09/27/01	Options	5,000	\$17.50	09/27/02	09/26/11	5,000	0	Fully Vested
09/19/03	Options	8,000	\$18.13	09/19/04	09/18/13	2,000	2,000	09/19/07
09/23/04	Options	5,100	\$17.47	09/23/05	09/22/14	2,550	2,550	09/23/07, 09/23/08
08/10/06	Options	7,228	\$16.96	08/10/07	08/09/16	7,228	7,228	08/10/07, 08/10/08, 08/10/09, 08/10/10
08/10/06	R. Stock	3,615	N/A	01/02/07	01/02/11	2,892	2,892	01/02/08, 01/02/09, 01/02/10, 01/02/11
Edward Kamins, Senior V.P., Chief Operational Excellence Officer. Common stock holdings: 23,761 shares								



Appendix A

Option and Restricted Stock Vesting Schedules for Selected Avnet, 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
09/19/03	Options	50,000	\$18.13	09/19/04	09/18/13	12,500	12,500	09/19/07
09/23/04	Options	25,860	\$17.47	09/23/05	09/22/14	12,930	12,930	09/23/07, 09/23/08
09/23/04	R. Stock	8,620	N/A	09/23/05	09/23/09	5,172	5,172	09/23/07, 09/23/08, 09/23/09
09/23/05	Options	15,316	\$24.78	09/23/06	09/22/15	11,487	11,487	09/23/07, 09/23/08, 09/23/09
09/23/05	R. Stock	7,660	N/A	09/23/06	09/23/10	6,128	6,128	09/23/07, 09/23/08, 09/23/09, 09/23/10
08/10/06	Options	16,384	\$16.96	08/10/07	08/09/16	16,384	16,384	08/10/07, 08/10/08, 08/10/09, 08/10/10
08/10/06	R. Stock	8,195	N/A	01/02/07	01/02/11	6,556	6,556	01/02/08, 01/02/09, 01/02/10, 01/02/11

Richard Hamada, Senior V.P., Chief Operating Officer. Common stock holdings: 23,131 shares

09/19/03	Options	50,000	\$18.13	09/19/04	09/18/13	12,500	12,500	09/19/07
09/23/04	Options	25,860	\$17.47	09/23/05	09/22/14	12,930	12,930	09/23/07, 09/23/08
09/23/04	R. Stock	8,620	N/A	01/03/05	01/03/09	3,448	3,448	01/03/08, 01/03/09
09/23/05	Options	21,620	\$24.78	09/23/06	09/22/15	16,215	16,215	09/23/07, 09/23/08, 09/23/09
09/23/05	R. Stock	10,810	N/A	01/02/06	01/02/10	6,486	6,486	01/02/08, 01/02/09, 01/02/10
08/10/06	Options	39,036	\$16.96	08/10/07	08/09/16	39,036	39,036	08/10/07, 08/10/08, 08/10/09, 08/10/10
08/10/06	R. Stock	19,520	N/A	01/02/07	01/02/11	15,616	15,616	01/02/08, 01/02/09, 01/02/10, 01/02/11

Harley Feldberg, President-Avnet Electronics Marketing Global. Common stock holdings: 23,051 shares

09/25/97	Options	8,000	\$31.63	09/25/98	09/24/07	8,000	0	Fully Vested
09/24/99	Options	12,000	\$21.50	09/24/00	09/23/09	8,000	0	Fully Vested
09/29/00	Options	15,000	\$28.75	09/29/01	09/28/10	15,000	0	Fully Vested
01/26/01	Options	25,000	\$26.00	01/26/02	01/25/11	25,000	0	Fully Vested
09/20/02	Options	30,000	\$12.95	09/20/03	09/19/12	15,000	0	Fully Vested
09/19/03	Options	30,000	\$18.13	09/19/04	09/18/13	22,500	7,500	09/19/07
05/13/04	Options	50,000	\$21.92	05/13/05	05/12/14	50,000	25,000	05/13/07, 05/13/08
09/23/04	Options	25,860	\$17.47	09/23/05	09/22/14	12,930	12,930	09/23/07, 09/23/08
09/23/04	R. Stock	8,620	N/A	01/03/05	01/03/09	3,448	3,448	01/03/08, 01/03/09
09/23/05	Options	19,520	\$24.78	09/23/06	09/22/15	19,520	14,640	09/23/07, 09/23/08, 09/23/09
09/23/05	R. Stock	9,760	N/A	01/02/06	01/02/10	5,856	5,856	01/02/08, 01/02/09, 01/02/10
08/10/06	Options	26,024	\$16.96	08/10/07	08/09/16	26,024	26,024	08/10/07, 08/10/08, 08/10/09, 08/10/10
08/10/06	R. Stock	13,010	N/A	01/02/07	01/02/11	10,408	10,408	01/02/08, 01/02/09, 01/02/10, 01/02/11

Steven Church, Senior V.P., Chief Human Resources Development Officer. Common stock holdings: 33,971 shares

09/25/97	Options	40,000	\$31.63	09/25/98	09/24/07	20,000	0	Fully Vested
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Appendix A

Option and Restricted Stock Vesting Schedules for Selected Avnet, 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
09/24/99	Options	45,000	\$21.50	09/24/00	09/23/09	25,000	0	Fully Vested
09/29/00	Options	35,000	\$28.75	09/29/01	09/28/10	35,000	0	Fully Vested
09/27/01	Options	17,500	\$17.50	09/27/02	09/26/11	17,500	0	Fully Vested
09/20/02	Options	22,500	\$12.95	09/20/03	09/19/12	22,500	0	Fully Vested
09/19/03	Options	30,000	\$18.13	09/19/04	09/18/13	30,000	7,500	09/19/07
09/23/04	Options	15,720	\$17.47	09/23/05	09/22/14	15,720	7,860	09/23/07, 09/23/08
08/10/06	Options	14,136	\$16.96	08/10/07	08/09/16	14,136	14,136	08/10/07, 08/10/08, 08/10/09, 08/10/10
08/10/06	R. Stock	7,070	N/A	01/02/07	01/02/11	5,656	5,656	01/02/08, 01/02/09, 01/02/10, 01/02/11
David Birk, Senior V.P., General Counsel, Secretary. Common stock holdings: 32,226 shares								
09/24/99	Options	27,000	\$21.50	09/24/00	09/24/09	27,000	0	Fully Vested
09/29/00	Options	19,000	\$28.75	09/29/00	09/28/10	19,000	0	Fully Vested
09/19/03	Options	50,000	\$18.13	09/19/04	09/18/13	12,500	12,500	09/19/07
09/23/04	Options	25,860	\$17.47	09/23/05	09/22/14	12,930	12,930	09/23/07, 09/23/08
09/23/04	R. Stock	8,620	N/A	09/23/05	09/23/09	5,172	5,172	09/23/07, 09/23/08, 09/23/09
09/23/05	Options	15,316	\$24.78	09/23/06	09/22/15	15,316	11,487	09/23/07, 09/23/08, 09/23/09
09/23/05	R. Stock	7,660	N/A	09/23/06	09/23/10	6,128	6,128	09/23/07, 09/23/08, 09/23/09, 09/23/10
08/10/06	Options	16,964	\$16.96	08/10/07	08/09/16	16,964	16,964	08/10/07, 08/10/08, 08/10/09, 08/10/10
08/10/06	R. Stock	8,480	N/A	01/02/07	01/02/11	6,784	6,784	01/02/08, 01/02/09, 01/02/10, 01/02/11



Appendix B

Option and Restricted Stock Vesting Schedules for Selected Hologic 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
Robert Cascella, President, Chief Operating Officer. Common stock holdings: 0 shares								
02/17/03	Options	150,000	\$3.84	02/17/04	02/17/13	75,000	0	Fully Vested
09/30/03	Options	50,000	\$6.80	09/30/04	09/30/13	50,000	12,500	09/30/07
11/06/03	Options	140,000	\$7.13	11/06/04	11/06/13	60,000	35,000	11/06/07
09/23/04	Options	100,000	\$9.50	09/23/05	09/23/09	70,000	0	Fully Vested
05/03/06	R. Stock	10,781	N/A	12/31/08	12/31/08	10,781	10,781	12/31/08
10/30/06	R. Stock	3,623	N/A	10/30/09	10/30/09	3,623	3,623	10/30/09
John Cumming, Chairman, Chief Executive Officer. Common stock holdings: 4,500 shares								
11/06/03	Options	240,000	\$7.13	11/06/04	11/06/13	60,000	60,000	11/06/07
11/03/04	Options	132,500	\$10.18	11/03/05	11/03/09	132,500	0	Fully Vested
09/15/05	Options	50,000	\$11.73	09/15/05	09/15/15	50,000	0	Fully Vested
05/03/06	R. Stock	32,342	N/A	12/31/08	12/31/08	32,342	32,342	12/31/08
10/30/06	R. Stock	5,176	N/A	10/30/09	10/30/09	5,176	5,176	10/30/09
Jay Stein, Co-Founder, Chairman Emeritus, Chief Technical Officer. Common stock holdings: 161,694 shares								
09/17/02	Options	20,000	\$4.75	09/17/03	09/17/12	5,000	0	Fully Vested
11/06/03	Options	40,000	\$7.13	11/06/04	11/06/13	20,000	10,000	11/06/07
10/30/06	R. Stock	2,070	N/A	10/30/09	10/30/09	2,070	2,070	10/30/09
Glenn Muir, Executive V.P., Chief Financial Officer. Common stock holdings: 137,616 shares								
12/08/99	Options	50,000	\$3.00	12/08/00	12/08/09	22,000	0	Fully Vested
07/31/01	Options	100,000	\$2.89	10/31/01	07/31/11	8,416	0	Fully Vested
11/13/01	Options	100,000	\$5.13	11/13/02	11/13/11	100,000	0	Fully Vested
09/17/02	Options	150,000	\$4.75	09/17/03	09/17/12	150,000	0	Fully Vested
11/06/03	Options	140,000	\$7.13	11/06/04	11/06/13	140,000	35,000	11/06/07
09/23/04	Options	70,000	\$9.50	09/23/05	09/23/09	60,000	0	Fully Vested
11/03/04	Options	70,000	\$10.18	11/03/05	11/03/09	70,000	0	Fully Vested
09/15/05	Options	60,000	\$11.73	09/15/05	09/15/15	60,000	0	Fully Vested
05/03/06	R. Stock	10,781	N/A	12/31/08	12/31/08	10,781	10,781	12/31/08
10/30/06	R. Stock	3,106	N/A	10/30/09	10/30/09	3,106	3,106	10/30/09



Appendix B

Option and Restricted Stock Vesting Schedules for Selected Hologic 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
John Pekarsky, Senior V.P.-Sales and Strategic Accounts. Common stock holdings: 1,138 shares								
11/06/03	Options	10,000	\$7.13	11/06/04	11/06/13	2,500	2,500	11/06/07
10/31/05	Options	10,000	\$27.37	10/31/05	10/31/15	8,000	8,000	¹
10/30/06	R. Stock	518	N/A	10/30/09	10/30/09	518	518	10/30/09

¹ This series vests at a rate of 10% annually beginning on October 31, 2005



Appendix C

Option and Restricted Stock Vesting Schedules for Selected Knoll 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
Kathleen Bradley, President, CEO-Knoll North America, Director. Common stock holdings: 150,692 shares								
03/06/00	Options	521,298	\$10.74	03/06/01	03/06/10	496,298	0	Fully Vested
02/06/01	Options	220,366	\$15.66	02/06/02	02/06/11	220,366	0	Fully Vested
02/05/02	Options	220,366	\$16.34	02/05/03	02/05/12	220,366	0	Fully Vested
12/17/04	R. Stock	320,000	N/A	02/12/07	¹	266,667	266,667	¹
Andrew Cogan, Chief Executive Officer, Director. Common stock holdings: 271,095 shares²								
03/06/00	Options	521,298	\$10.74	03/06/01	03/06/10	50,000	0	Fully Vested
02/06/01	Options	220,366	\$15.66	02/06/02	02/06/11	220,366	0	Fully Vested
02/05/02	Options	220,366	\$16.34	02/05/03	02/05/12	220,366	0	Fully Vested
12/17/04	R. Stock	320,000	N/A	02/12/07	¹	266,667	266,667	¹
Arthur Graves, Senior V.P.-Sales and Distribution. Common stock holdings: 73,1666 shares								
03/06/00	Options	130,324	\$10.74	03/06/01	03/06/10	64,324	0	Fully Vested
02/05/02	Options	110,182	\$16.34	02/05/03	02/05/12	110,182	0	Fully Vested
12/17/04	R. Stock	144,000	N/A	02/12/07	¹	120,000	120,000	¹
Stephen Grover, Senior V.P.-Operations. Common stock holdings: 16,654 shares								
03/06/00	Options	104,258	\$10.74	03/06/01	03/06/10	74,258	0	Fully Vested
02/05/02	Options	110,182	\$16.34	02/05/03	02/05/12	110,182	0	Fully Vested
12/17/04	R. Stock	144,000	N/A	02/12/07	¹	120,000	120,000	¹
Barry McCabe, Senior V.P., Chief Financial Officer. Common stock holdings: 146,606 shares								
02/05/02	Options	44,072	\$16.34	02/05/03	02/05/12	44,072	0	Fully Vested
12/17/04	R. Stock	112,000	N/A	02/12/07	¹	93,334	93,334	¹
Patrick Milberger, Senior V.P., General Counsel, Secretary. Common stock holdings: 11,102 shares								
12/17/04	R. Stock	96,000	N/A	02/12/07	¹	80,000	80,000	¹



Appendix C

Option and Restricted Stock Vesting Schedules for Selected Knoll 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
Burton Staniar, Chairman. Common stock holdings: 50,058 shares								
03/06/00	Options	104,258	\$10.74	03/06/01	03/06/10	104,258	0	Fully Vested
02/05/02	Options	44,072	\$16.34	02/05/03	02/05/12	44,072	0	Fully Vested
12/17/04	R. Stock	80,000	N/A	02/12/07	¹	66,667	66,667	¹

¹ This award was originally scheduled to vest in December 2010 but was accelerated due to performance targets being attained. One-sixth of the total vested on February 12, 2007, but it is unclear when the re

² CEO Andrew Cogan currently has 225,000 shares pledged to a third party investor in a forward sale contract. These shares have not been deducted from his total above.