



This 3DAdvisors Report Covers:

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

Convergence of Section 16 Sellers is Noteworthy Symantec Corporation (NASDAQ:SYMC) Update

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Symantec Corporation provides content and network security software and appliance solutions to enterprises, individuals and service providers. The Company provides client, gateway and server security solutions for virus protection, firewall and virtual private network (VPN), security management, intrusion detection, Internet content and e-mail filtering, remote management technologies and security services to enterprises and service providers worldwide. Symantec has offices in 36 countries worldwide. The Company views its business in five operating segments: enterprise security, enterprise administration, consumer products, services and other activities.

Summary of 3DAdvisors Findings for SYMC

- ▶ **Insider Trading:** Tight convergence of Section 16 sellers
- ▶ **Insider Trading:** Rank and file selling jumps through first two quarters

Discussion of 3DAdvisors Findings

Insider Trading: Tight convergence of Section 16 sellers

In our first report on Symantec (9/5/03), we outlined significant insider trading and accounting behavior we had observed. Since then, additional concerns have surfaced about the competitive threat represented by major players such as Microsoft and Computer Associates. These concerns were blamed for a sharp 14% drop in Symantec shares in late November. As the shares recovered from this drop, a group of key insiders surfaced in an eight-day period (December 1st to 9th) to sell large amounts of shares. Some of them were clearing out of significant portions of their options holdings. It is interesting to us that these sales surfaced over a month after Symantec's Q2 release, far beyond the typical windows (usually the week following an earnings release) that exist for insider sales at most companies. It should be noted here that, unlike most companies, Symantec insiders are not window-constrained from selling. What makes these sales more interesting is that they occurred into near-term strength in the stock price caused by certain analyst upgrades and Symantec's bullish management

comments at the Credit Suisse First Boston Annual Technology Conference held on December 3rd.

Here are the most significant of the sales (as always, we quote insider holdings as stock plus exercisable options):

- **Greg Myers (53)** – CFO. Myers, CFO since 1999, exercised options for, and subsequently sold, 207,268 shares on December 1. The trades dropped his holdings by 55%.
- **Gail Hamilton (53)** – E.V.P. Product Delivery, Response. In our prior report, we noted that Hamilton had sold 444,000 shares (adjusted for the November 2 For 1 Split) in July and August, dropping about 76% of her holdings in the process. She has surfaced again, this time on December 9th, exercising options for 94,700 shares and selling 83,700 of them for \$33.15 each. So now, since July she has dropped her holdings by 87% by selling 527,700 shares. Although it is true that Hamilton continues to hold options (for about 491,000 shares), the fact stands that, since July, she has moved aggressively to exercise the majority of what she has available to work with. Our counts indicate that she is down to just 20,076 shares and exercisable options totaling about 64,000 shares. For the next 12 months, she will see only about 7,800 options vest monthly.

In case your wondering about the 11,000 shares she retained from these latest December option exercises, her retention of them brings her total stock ownership (in common shares) up to the company-mandated 20,000 level, which she had not been maintaining prior to this move. Consequently, we wouldn't read anything into the fact that she had retained some of the shares she had optioned for...she probably had to.

- **Rebecca Ranninger (44)** – Sr. V.P., Human Resources. Ranninger exercised options for, and sold, 66,663 shares on December 2. Though this was not her largest sale on record, it is interesting that the largest occurred in February of 2002, when Symantec shares were trading near their 18-month highs and about to drop 25%.
- **Arthur Courville (44)** – General Counsel. On December 1, Courville exercised options for 30,000 shares, sold them plus an additional 11,316. Add this to his early-November sales and he has dropped 56,950 shares in the past two months, making these among his two largest-ever sales (the first occurring back in January of 2002). He reduced his holdings by 18% with these sales.
- **Donald Frischmann (60)** – Sr. V.P. Communications and Brand Management. Frischmann exercised options for, and sold, 13,334 shares on December 2. He has been selling on the way up all year, clearing out over 100,000 shares since February. He continues to hold the large majority of his position.
- **Dieter Giesbrecht (59)** – Sr. V.P. Worldwide Sales, Marketing and Professional Services. Giesbrecht exercised options for, and sold 20,000 shares on December 8th for \$32.24 each. He has been selling regularly for the past two years so his sales are not as significant as the others. The fact that this most recent sale however, falls into the same time window as the others makes his sale worthy of note.

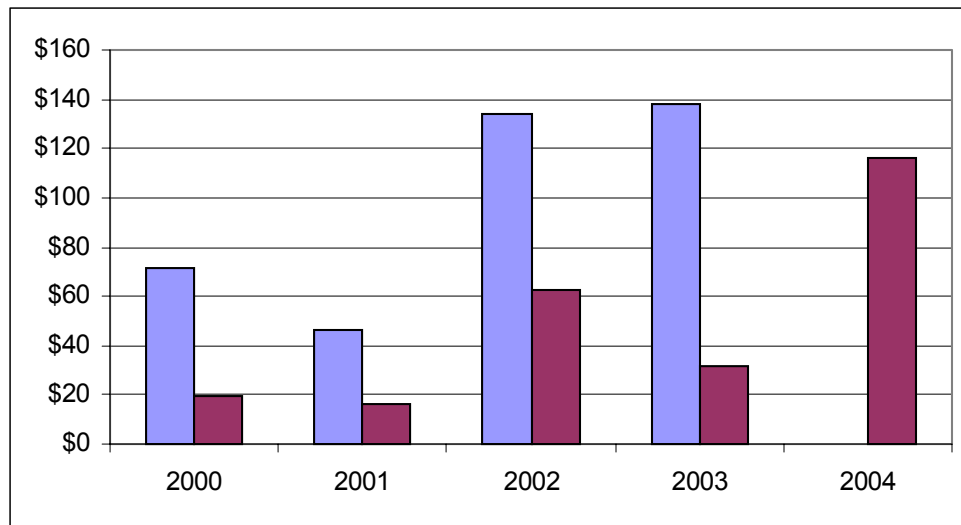
This convergence of the six insiders to sell in the same eight-day period is especially interesting since Symantec does not utilize windows that insiders must comply with when selling.

Insider Trading: Rank and file selling jumps through first two quarters

Not only are the senior executives at SYMC (who are required by the SEC to file Form 4s under Section 16) aggressively selling shares, we also note that the volume of option exercise activity among rank and file employees at the Company has picked up dramatically since our first report on 9/5/03. It has been our experience that it is safe to assume that the overwhelming majority of the optioned-for shares are being sold by these employees.

The level of option exercise activity over the last two quarters is unprecedented compared to the behavior of the last couple of years. The red bars in **Figure 1** below show the amount of cash received by the Company from option exercises for the first two quarters of the indicated fiscal year. The blue bars show the total cash received for the full fiscal year (there is no blue bar for 2004 since we are only through two quarters of the 2004 fiscal year). As you can see, the pace is way ahead in the current fiscal compared to prior years. In fact, through Q2 of F/Y 2003, only \$31.8 million in options were exercised vs. the \$115.9 exercised through Q2 of F/Y 2004, an increase of nearly 265%:

Figure 1. Cash Received From Option Exercises Through First Two Quarters of Indicated Fiscal Years (Red), and Full Fiscal Year (Blue). (Millions of \$)



Source: SYMC SEC Filings

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