




#### This 3DAdvisors Report Covers:

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

## Insider Research Bulletin

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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

- ▶ Kindred Healthcare Inc. (NYSE: KND)
- ▶ SunPower Corp. (NASDAQ: SPWR)
- ▶ Wyeth (NYSE: WYE)

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## Discussion of 3DAdvisors Findings

### Kindred Healthcare Inc. (NYSE: KND)

With five months in the books, this has already been a very busy year for long-term acute care hospital and nursing center operator Kindred Healthcare. Not only is the Company in the process of spinning off its pharmacy division in a combined entity with certain assets of AmerisourceBergen Corp. (NYSE: ABC), but it also has renegotiated the leases on 64 facilities owned by Ventas Inc. (NYSE: VTR) while also announcing its plans to purchase (for resale) 22 currently leased facilities from VTR. With all of the pending deals on the table, and the recent regulatory changes to Medicare reimbursement issued by the Centers for Medicare and Medicaid Services (CMS), it seems to us that downstream earnings visibility has been diminished, rather than

improved as stated by management on the Q1 conference call. A provocative Q&A session between analysts and management on the same call, followed by the most aggressive sequence of insider selling in years, confirms we should be taking a close look at Kindred and a review of the financials is currently underway.

On April 30<sup>th</sup> Kindred released first quarter earnings from continuing operations of \$0.39, down 26% from the same quarter last year, despite posting an 11% revenue increase. Analysts expected earnings of \$0.41. Some of the setback was attributed to earnings declines in both the Hospital and Pharmacy divisions. One day later, a window opened that had been preventing any trading by covered employees since April 1<sup>st</sup> and three executives immediately jumped through, selling into the earnings-related weakness (-5%). Two days later, with the Kindred shares already under pressure, CMS issued its anticipated Final Rule on Medicare reimbursement that proved more detrimental to the Company than first forecasted: an overall decrease in payments to all certified long-term acute care hospitals of 3.8%, compared to the expected 2.9%. Also released was a new regulation raising Medicare payments for skilled nursing facilities by 3.3%.

**Figure 1.** KND Daily Closing Price, 05/01/06 through 06/01/07. Red shaded area is where ten insiders sold 357,807 shares. Source: Reuters and KND SEC Filings.



The Company now believes the Rule will reduce its Medicare payment revenue by \$25 million in the second half of 2007. CEO **Paul Diaz** was clearly dismayed by the decision, issuing a strong statement that, "We are deeply disappointed that CMS continues to implement arbitrary changes to the LTAC payment system when both Congress and MedPAC have objected to the very rules that CMS has now finalized. It is frankly irresponsible for CMS to ignore objective data demonstrating that the policy justifications for these payment changes are simply inaccurate."

With the stock down nearly 9% intraday on the ruling, insiders once again showed no restraint trading on the disconcerting news, including Executive Chairman **Ed Kuntz** who liquidated more than 60% of his actionable holdings (common stock plus vested derivatives) at the lower prices. But this was only the start, as by the end of May, ten insiders would sell 360,000 shares at a weighted average price of \$33, resulting in the heaviest month of distributions since the Company's reorganization five years ago. The trades for certain execs are clearly notable to us, with **Mark McCullough**, president of the KPS pharmacy division cashing out all stock and options including some which yielded a slight profit of just 6%. Also "skimming" options was Chief Administration and Information Officer **Richard Chapman**, who over the course of the month wiped out nearly 70% of his ownership. More details on the trades of the notable sellers can be found later in the report.

Insider	Position	% Ownership Sold YTD
M. McCullough	Div. President	100%
W. Altman	Senior V.P.	72%
R. Chapman	Chief Admin. Officer	67%
E. Kuntz	Exec. Chairman	62%
L. Bowen	Div. President	62%
M. Riedman	General Counsel	33%
F. Battafarano	Div. President	22%

We should also point out that the two most aggressive trading periods prior to this year had surfaced ahead of substantial downward price volatility: For instance, eight of the recent 10 sellers had all surfaced in the fourth quarter of 2003 in the \$25 range just months before the Company reported disappointing Q403 earnings, sending the shares down 20%. It took nearly ten months for the shares to recover. They collectively took profits again in the second quarter of 2005 at prices reaching \$41 per share, shortly before releasing Q205 earnings that missed the consensus. The shares fell as much as 22% intraday on the news. Executive Chairman Kuntz, who lightened his holdings in both rounds, took more shares off the table in December 2006 at a 52-week low of \$26, just weeks before an anticipated report, issued by CMS of proposed Medicare reimbursement changes, would send the shares down to \$20. The fact management has sold on a number of occasions ahead of material news triggering excessive volatility is one we are not willing to ignore.

There is a vivid disconnect between management's sentiment regarding the Company's opportunities and its recent trading behavior. There are at least six instances on the Q1 conference call when CEO Diaz or CFO **Richard Lechleiter** firmly expressed their "excitement" or "confidence" in a recent deal or general operations. When asked by an analyst about the Company's decision to shift the mix from more high-margin long-term acute care beds to lower-margin sub-acute beds, Diaz replied,

“You know, we are very excited about it”. The analyst who posed the question didn’t seem equally as enthused. Lechleiter’s response to a question about the purchase of the 22 Ventas properties for resale was similarly upbeat: “I’m not sure if I can express my confidence in this any more strongly, that this is a great transaction for both companies and really allows us to continue to move our hospital business and nursing home business forward, create more value for our patients and customers, and see opportunities to grow in our cluster markets over the next few years.”

While we can appreciate this is routine management posturing and neither exec sold in the recent round, the sell-off carried out by their peers is more than enough to characterize the attitude of the Kindred hierarchy. Look no further than the disclaimer added to the end of the Company’s most recent guidance affirmation:

***While the Company does not provide quarterly earnings guidance, management believes that investors should consider the seasonality of the Company’s quarterly earnings, particularly the weakness in hospital admissions during the third quarter coupled with a negative Final Rule that would take effect on July 1, 2007.<sup>1</sup>***

## ➤ Compensation Committee Interlocks and Generous Compensation Practices

We picked up on a few interesting compensation practices occurring over the past few years which might stem from the vested interests of certain current and former Executive Compensation Committee (ECC) members. Upon the Company’s emergence from Chapter 11 protection in April 2001, a new board was appointed that included representatives of the principal security holders. One current board member, **Michael Emblem**, is an officer of Franklin Mutual Advisors which owned 26% of the outstanding KND shares in 2001 and remains the largest shareholder with a 19% stake. Former ECC member, **David Tepper**, is president of Appaloosa Management L.P., which owned 25% of Kindred’s outstanding shares in 2001. He was joined on the board by **James Bolin**, Appaloosa’s vice president and secretary. Another ECC member, **Thomas Cooper**, is the Chairman and Chief Executive of Vericare Inc., a company that used to provide mental health services to nursing facilities owned by Kindred. While it is not rare to see this many involved parties on a new board following a reorganization, we can not help but to draw the connection to their compensation liberalness.

Though Kindred has never been targeted for option backdating practices, we have identified a number of option and restricted stock grants, distinguished in Figure 2 below with red diamonds, issued to executives dating back to 2002 that appear to be overly beneficial for the recipients. For starters, CEO Diaz was hired on January 1, 2002, at which time KND shares traded above \$24. His initial grant was delayed until the end of January, after the shares traded down to a new low of \$19. This one month grant delay is definitely not standard practice. Just one month later, CFO Lechleiter was hired and issued his new-hire grant on the very same day. Subsequently, options were granted in July 2004 on one of the more volatile trading days of the year, while awards issued in 2005 were even more irregular.

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<sup>1</sup> “Kindred Healthcare Comments on Medicare Payment Changes for Long-Term Acute Care Hospitals,” BusinessWire, May 2, 2007. This information can also be found in an SEC 8-K filed on the same day.

**Figure 2.** KND Daily Closing Price, 01/31/02 through 05/31/07. Red diamonds are the option grant dates that appear suspicious. Source: Reuters, 3DA, KND SEC Filings.



After historically issuing options in February or July, the ECC made awards in April after the shares traded down from \$36 to \$31, and then again in August, just days after the issue lost 20% on a disappointing Q2 earnings report, reaching a new six-month low. It is, most likely, not happenstance the Company has loosely defined option policies, which leaves the door open for ECC grant timing manipulation:

***While the Committee does not have a formal policy with respect to the timing of grants of equity-based awards in connection with the release of material non-public information, the Committee generally considers issues raised by the timing of award grants when making such awards.<sup>2</sup>***

We are also very interested in the sizeable compensation package provided to former CEO and now “Executive Chairman” Kuntz, who served as the Company’s chief executive for just four years between 1999 and 2003. Under a renewed employment agreement signed in February, Kuntz receives a base salary of \$855,000, not far from the \$950,000 base of CEO Diaz, and sizeable option and restricted stock grants more in line with top executives than his peer board members, for performing the following duties:

- Coordinates all matters and committee activities of the Board and acts as the principal liaison between the Board and senior management

<sup>2</sup> Kindred Healthcare Inc. 2006 Proxy Statement, Filed on April 4, 2007, Compensation Discussion and Analysis, Pg. 16.

- Engages in public lobbying and relationships with various healthcare related organizations
- Advises the Chief Executive Officer and senior management on strategic initiatives including financing, acquisition and development activities
- Advises the Chief Executive Officer and senior management concerning all compliance and regulatory matters
- Such other similar matters as reasonably requested by the Board.

These seem to us to be fairly routine responsibilities for a corporate chairman. We question the need for the large compensation package, especially in light of the fact he is required to devote only approximately two days per week to the business of the Company. What's more, in the event of an involuntary termination or change of control, Kuntz would receive a cash payment in excess of \$3.5 million, *more than any named officer (outside of CEO Diaz) is entitled to*. This certainly is not common practice and makes us wonder why the board has gone to great (and expensive) lengths to retain his services.

- **Ed Kuntz (62)** – Executive Chairman. Kuntz became the Company's executive chairman in January 2004 after stepping down from the chief executive post he held between January 1999 and December 2003. We remain intrigued with his timely trades in the past: Just before his resignation, Kuntz cleared out 50% of his ownership in 4Q03 just months before the Company released earnings for the quarter which disappointed, knocking the shares down nearly 20%. His last sale in December 2005 was executed at a 52-week low and just weeks before a detrimental Medicare ruling which dropped the shares 30%.

More recently, Kuntz cleared out an option series on May 2<sup>nd</sup>, which was not set to expire until July 2013, and immediately sold the shares plus more out of his common holdings, for a total of 88,337 shares all at \$33. The shares **accounted for more than 60% of his ownership**, which now totals just 133,000 vested options and shares, down from the 540,000 held at the time of his 2003 chief executive retirement. The Company amended Kuntz's employment agreement in February, so it would seem he intends to remain on the board until he reaches the retirement age in three years. He will have 30,000 options and shares vest in July, but that will be it until next February (see Appendix A).

- **Richard Chapman (58)** – Executive V.P., Chief Administrative and Information Officer. Chapman, a Company officer since 1997, recently sold down his ownership to its lowest level since becoming a named executive five years ago. During his tenure he has been a frequent trader, but the 67,000 shares he sold between May 1<sup>st</sup> and May 21<sup>st</sup> stand out on a number of levels. For one, the **shares represented 67% of his ownership**, the largest percentage reduction we have seen from him. Secondly, he cleared out the majority of his profitable options, including some that were not as lucrative, such as one series with a February 2015 expiration that yielded a pre-tax profit of just 11%. In his 21 past option-related sales dating back to 2003, Chapman had never accepted a spread less than 56% when exercising options. Included in his total distribution were 43,000 shares from his common

position. His ownership will not be replaced quickly as he has just 34,000 options and shares scheduled to become actionable through December 2008 (see Appendix A).

- **Lane Bowen (56)** – Executive V.P.; President, Health Services Division. Since 2002 Bowen has managed the Company's largest division (Health Services) which accounted for 42% of 2006 revenues. Shortly after reporting a 13% year-over-year increase in the division's 1Q revs, Bowen began taking profits. From May 1<sup>st</sup> to May 21<sup>st</sup> he sold 51,701 shares, more than he had sold in total over the prior five years. In all, he **shed over 60% of his actionable holdings** (common stock plus vested options) with just 10,000 new shares that will vest by year-end (see Appendix A).
- **William Altman (47)** – Senior V.P., Compliance and Government Programs. In addition to monetizing all his profitable stock options on May 18<sup>th</sup> and May 21<sup>st</sup>, none of which would have expired before 2012, Altman cashed out his common stock as well. After last selling 10,000 shares in the \$39 range in June 2005, Altman recently sold 34,547 shares at \$33. Following this **sale of 72% of his holdings**, all that remains are vested options that carry a \$31 strike price, leaving them just narrowly in the money, and a few hundred shares of common. It will take nearly four years of option and share vesting for him to replace what he just sold in May, as just 8,000 are scheduled to become actionable through the remainder of 2007 (see Appendix A).
- **Mark McCullough (45)** – President, Pharmacy Division; Chief Operating Officer, PharMerica. With the pending merger of Kindred's pharmaceutical division with AmerisourceBergen's (NYSE: ABC) pharmacy operations and eventual spin-off, it was unclear for the past few months what his future role would be. We did know that his counterpart, ABC's pharmacy head **Gregory Weishar**, had been named the chief executive of the combined entity, leaving McCullough's status in the lurch. At first, his trading behavior gave us the impression he would be leaving the Company, as **he cleared out all of his vested options and common stock on May 7<sup>th</sup> and May 9<sup>th</sup> at \$32.**

McCullough signed a "retention agreement" in December that pays him a bonus of \$135,000 if he "remains actively at work and as an employee in good standing" through the proposed transaction date, which was expected to close last quarter but got delayed for the second time. In a press release<sup>3</sup> dated June 5<sup>th</sup> the Company disclosed the new entity's (PharMerica Corp.) management team and to our surprise, McCullough was named the chief operating officer. It was also reported that the deal will now close on July 31<sup>st</sup>. Since McCullough will not be compensated by PharMerica, it makes sense that he would lighten some of his exposure to KND shares, but does not justify the full diversification of his entire position, nor his willingness to monetize options from two different series that yielded pre-tax profits of a mere 6%. Both series were not scheduled to expire until 2012 and his employment agreement provides 18 months to exercise his options under this type of separation. What's more, had he held on to his stock, he, like all other KND shareholders, would have received shares of PharMerica. It is evident that McCullough is not interested in having exposure to Kindred shares at this time.

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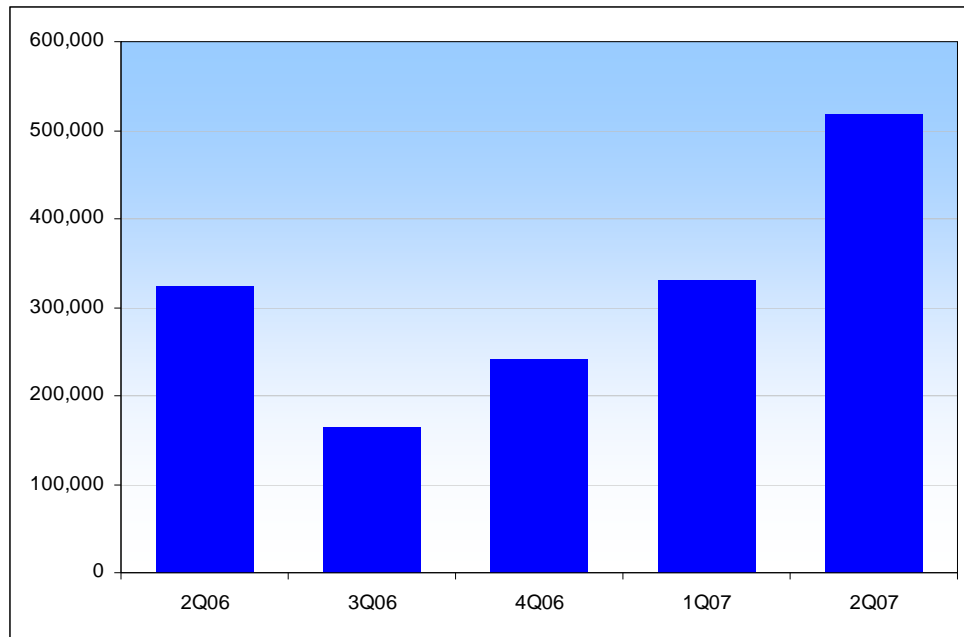
<sup>3</sup> "AmeriSourceBergen, Kindred Name Execs", BusinessWire-First Call, June 5, 2007

## SunPower Corp. (NASDAQ: SPWR)

Clearly, to say that the solar energy industry has received plenty of attention this year would be an understatement. The buzz has caused sponsorship to be abundant and emerging players to be numerous. Hype aside, issues such as a restrictive polysilicon supply and the efficacy of non-solar renewable energy sources, once solar subsidies ease, have yet to be solved. Though in spite of these issues, it still seems to be “full speed ahead” for many on the sell-side who have bid up shares in solar companies, insiders in some, most notably SunPower Corp., seem to be signaling that the ship is moving too fast.

Given the relative infancy of the industry, this is not a group we have been able to monitor for a suitable period of time to gauge, historically, the insider behaviors. In fact, the current analysis becomes even more limited due to the fact that more than half of the publicly-traded firms are foreign corporate issuers (Read: Chinese ADRs) and are exempted from filing Section 16 trades with the SEC under Rule 3a12-3 of the Exchange Act. Some on the Street might reason that any criticism of the SunPower activity is subjective since its insiders’ trades will palpably draw attention given the high number of ADRs out there showing no insider activity. We feel that this challenge would be baseless: Since the 180-day lock-up period expiration associated with the Company’s November 2005 initial public offering, SunPower insiders have followed a course of diversification that is far more aggressive than any in its domestic peer group. More importantly, the profit taking has intensified into the second quarter of 2007 (see Figure 3 below) as SPWR shares extended their gains, despite the implied constraints supposedly holding back those utilizing Rule 10b5-1.

**Figure 3.** Quarterly Selling Volume of SunPower Insiders (2Q07 through 05/30/07 only). Source: SPWR SEC Filings.





Admittedly, we know very little about the existing SunPower 10b5-1 sales plans' details at this time except for that they exist. We have yet to see any formal disclosure from the Company laying out which insiders entered into personal trading plans, when they were adopted, or even how many shares are reserved for sale under their respective plans. Only in footnotes of individual SEC Form 4s, or buried in registration statements, is it mentioned that insider sales have been executed, or plans implemented. Indeed, those indicated in a secondary offering registration statement allowed for the executives involved to circumvent the 90-day lock-up period associated with that offering.

Even in the absence of exact plan specifics, however, analyzing the holdings effects on those involved is relatively clear-cut. Across the board, these individuals have been monetizing their stock options at a faster rate than they can vest, which has cut deeply into their actionable ownership. The top four executives have reduced their combined ownership by 45% this year alone while one of the three non-employee board members liquidated her entire position.

Not to be left out are the new additions to the management team who came on board in January when SunPower acquired solar power system designer PowerLight. The integration has already been highly accretive, as PowerLight contributed significantly to a Q1 sales increase of 92% over the previous quarter and figures heavily into the projected \$1 billion in revenue forecasted for 2008. But two of the PowerLight execs, who now hold key positions at SPWR, have sold 60% and 100% of their actionable ownership in the second quarter. Generally speaking, while SunPower stock has made plenty of money for its shareholders, it has done no worse for its insiders who have managed to collect millions from stock sales for what have been, for the most part, very brief periods of employment. The table below lists all of the Company's top officers, their length of tenure, and the profits gained after all option exercise costs. We should also add that of the seven executives listed below, and three outside directors, only CEO **Thomas Werner** has acquired any common stock despite the \$60 million in profits generated from their sales in the past year. With the exception of Werner and PowerLight CEO **Tim Dinwoodie**, who was given SPWR shares in the acquisition, none of the other eight execs and directors currently holds as much as one share of stock.

Executive	Position	Years of Service	Stock Profits
E. Hernandez	CFO	2	\$20.6 mil
T. Werner	CEO	3	\$16.2 mil
R. Swanson	Pres., CTO	22	\$5.0 mil
P.M. Pai	COO	2	\$4.5 mil
T. Dinwoodie	Div. Pres.	0.5	\$3.3 mil
H. Wenger	V.P.	0.5	\$2.4 mil
B. Ledesma	Gen Counsel	0.5	\$1.3 mil

Chief Finance Officer **Emmanuel Hernandez** is a model for the mutual expediency of the insider diversification. Upon joining the Company in 2005, he was immediately granted over 1 million options with a generous vesting schedule not provided to any other officers. Whereas SunPower options typically begin vesting one year after the grant date and then monthly thereafter over the next four years, Hernandez's options *immediately began vesting on the grant date* and then monthly over three years. He exploited the board's generosity by selling \$3 million worth of shares just one year into his tenure, immediately upon the IPO lock-up expiration, and has been a regular seller ever since, monetizing 75% of his vested options for a pre-tax profit of \$22 million. Not bad for just two years of work. Following his trades becomes even more imperative due to his trading history at Cypress Semiconductor (NYSE:CY):

Hernandez served in the same role at Cypress (with Section 16 filer status) for eleven years before joining SPWR. Between 1995 and 2000 he executed six different sale transactions and any investor who mimicked his trades over this period would have avoided short term losses that averaged 35% in the three months following each distribution. His record on the sell side is certainly impressive. It would seem that Hernandez's trading decisions are not motivated exclusively by price appreciation, as he has held an ON Semiconductor (NASDAQ: ONNN) board seat since November 2002 and remains one of the few insiders yet to take profits this year despite ONNN shares gaining nearly 60% since January. Finally, his relationship to Cypress interests us for a more subtle implication. Back in 2002, Cypress made what is only disclosed as a "significant investment" in SunPower, for which it received 52 million Class B shares or roughly 67% of the outstanding SPWR stock. On April 30<sup>th</sup> Cypress executed its first sale, cashing in 14.4% of its holdings (7.5 million shares) at \$58. The sale triggered a 6.3% correction in SPWR shares on the day and it would seem the threat of future Cypress sales will continue to be a lingering overhang on the stock. With the manner in which Hernandez has been taking profits, it makes one wonder what knowledge he may have about any of Cypress' trading decisions.

- **Thomas Werner (47)** – Chief Executive Officer. Werner joined SunPower in June 2003 and was immediately issued his first option award. Since the beginning of his employment he has been granted a total of 1.42 million options, 60% of which have already vested, and he has already cashed out roughly half under a pre-adopted trading plan. Despite any implication of systematic sales, there has been a noticeable escalation of his dispositions this year. After selling 40,000 to 60,000 shares per quarter through 2006 (160,000 total), he has already monetized 240,000 options this year, with the majority coming out between April 10<sup>th</sup> and May 8<sup>th</sup> at an average price of \$52. What immediately jumps out to us is that he has roughly 75,000 options vest each quarter (see Appendix B) but is selling at a much quicker rate. This burn rate becomes evident when comparing his ownership reductions over the past two years. After selling 20% of his holdings in 2006 he has **already sold 35% of his ownership this year** and is on pace to sell a much greater percentage by year-end. Finally, Werner has held a board seat at Cree Inc. (NASDAQ:CREE) since March 2006 but has yet to sell Cree stock.
- **P.M. Pai (58)** – Chief Operating Officer. Pai began selling under a 10b5-1 personal sales plan in July 2006 and has sold 126,000 shares since, or roughly 31,000 shares per quarter. The problem is, he has only 17,000 new options vest per quarter and is currently on pace to burn through all his equity by the end of Q3. Already, Pai has **monetized 80% of the vested options granted to him**, taking into account the

28,000 shares sold in late April, and has yet to acquire any common stock either from his options or on the open market. He will have 40,000 options become actionable by year-end (see Appendix B).

- **Howard Wenger (47)** – V.P., Global Business Units. Wenger, an experienced energy executive, came on board in January when SunPower acquired PowerLight. He was put in charge of the Company's global expansion, for which he responded by immediately adopting a sales plan and **monetizing 60% of his converted actionable PowerLight options** on April 4<sup>th</sup>. The PowerLight options are subject to a trading restriction in which half of the total will vest semi-annually over a two year period, while his new-hire grant will not begin to vest until February 2008. More to the point, he will have 30,000 options vest in July and then another 81,000 in 2008 (see Appendix B).
- **Bruce Ledesma (39)** – General Counsel. Ledesma is another executive who came over in the PowerLight acquisition, then surfaced shortly after to clear out holdings. On April 3<sup>rd</sup> he **cleared out all options available to him at the time**, 30,869, and sold them at \$47.23 for a pre-tax profit of \$1.4 million. Ledesma's options are subject to the same restrictions described for Wenger, and therefore will have 22,000 options become actionable in July and then 63,000 more vest throughout next year (see Appendix B). We should also note that neither Ledesma nor Wenger currently holds any shares of SPWR common.

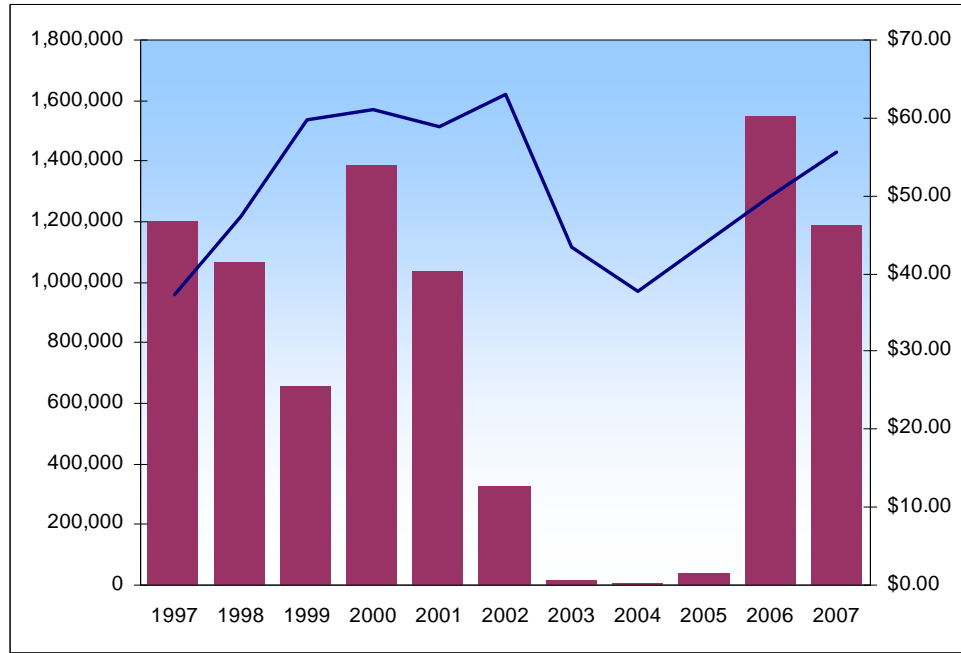
### Wyeth (NYSE: WYE)

Although we have covered a handful of pharmaceutical companies in recent months, there has been a noticeable absence of insider sales from the mega-cap names. This might be attributed to the fact that despite the DJ Pharmaceuticals Index gaining 22.4% in the last 52 weeks, the industry's ten largest firms, based on market capitalization, have an average return of 15% over the same period, underperforming the Dow by 7%. One name that has garnered plenty of Street adulation this year is Madison, New Jersey's Wyeth, which just so happens to be front and center on our radar for the uncharacteristic and quite informative profit taking by an all-encompassing group of executives. Add to this the rather untimely resignation of the Company's esteemed chief financial officer and his ensuing trading decisions, and we have the validation needed to suspect the recent run of Wyeth shares may be nearing an end.

We are going to spend little time highlighting non-trading issues in this report because our primary interest relates to the profits taken on 1,116,092 shares between April 25<sup>th</sup> and May 24<sup>th</sup>. The selling pace established in 2007 is already on track to surpass the previous record for shares sold in any prior year dating back to 1990 by a wide margin. We should point out this is a veteran management team and most of the recent sellers did not sell to the same degree when Wyeth shares traded at similar prices for much of 1999 to 2002. Figure 4 below illustrates the total number of shares sold since 1997 and the average price accepted for those shares. Now, skeptics might counter that there has been a limited number of selling opportunities for Wyeth insiders since the shares lost one-fourth of their value in July 2002 on the release of harmful study results for a key drug. This might be true if they were disinclined to sell below \$50,

but we are more focused on the aggressive actions taken during the opening of windows on 10/24/06 and 04/25/07 while the shares traded above \$50.

**Figure 4.** Shares Sold Annually by WYE Insiders (Blue Bars) and Average Price (Red Line; 2007 through 05/30/07 only). Source: WYE SEC Filings.



Although they are not overly confining, Wyeth has blackout periods that prevent insiders from trading between the time a fiscal quarter closes and two days after the Company reports earnings. Never before had executives looked so hard-pressed to sell as they did at the close of both Q306 and Q107 when, in each case, at least six of them surfaced on the very day the window opened. These windows have been in place for years and, prior to this, not once had there been more than two execs selling on the day the restrictions were lifted. Another interestingly timed trade came from named executive **Robert Ruffolo**, president of Wyeth research, with control of all R&D operations. On May 21<sup>st</sup>, WYE shares gained 4% on the surprise announcement the Company, along with its development partner Elan Corp. (NYSE: ELN), was accelerating the starting date for Phase III clinical trials on Bapineuzumab (AAB-001), a breakthrough drug for the treatment of Alzheimer's. The following day, Ruffolo, who oversees the trials, cashed out 40% of his holdings just hours before taking the stage at the Citigroup Healthcare Conference, at which he forewarned he would not take any questions about Bapineuzumab.

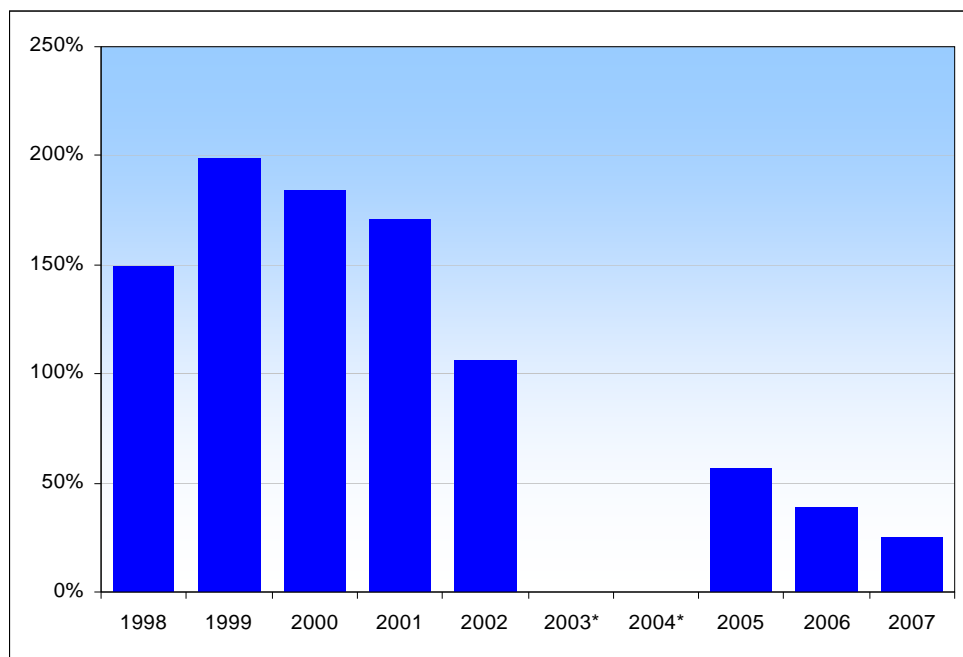
The timing aspect is just one of the reasons we sense some urgency, on the part of executives, to convert their equity to cash lately. One of the crucial components of the activity is the manner in which insiders "skimmed" options in the recent round, a behavior we have not seen from this group before. Five of the nine officers who sold after the Q1 earnings report exercised different option series not set to expire for at least twelve months and sold the shares for pre-tax profits ranging between 2% and 16%. For example, Senior V.P. **Rene Lewin** accepted a profit of just 14% on his recent options after averaging 115% with his seven option-related sales dating back to 1996. It is very

unusual to see insiders, *en masse*, cashing out options, with much time remaining prior to expiration, for such slim profits. Wyeth insider behavior in this instance suggests their concern that the options involved face a heightened risk of falling under water.

Figure 5 below shows a very notable trend whereas Wyeth insiders have become increasingly less profit-conscious with their options in recent years. For example, the 16 option-related sales in year 2000 returned an average profit of 184% compared to the average 25% return received from 13 option dispositions this year.

A key point to consider with this recent round of executive sales is the fact that, in a highly unusual move, three executives wiped out the entire balance of Wyeth shares held in their 401(k) retirement accounts. All three remain employed by the Company, although CFO (and Vice Chairman) **Kenneth Martin** has announced his resignation. Senior V.P. Lewin, who was also skimming options, and Controller **Paul Jones** each emptied his accounts. Be advised, it is very rare, and hence noteworthy, to see insiders, such as these, not only selling majority pieces of their holdings but also clearing out their 401(k) plans as well.

**Figure 5.** Pre-Tax Profit Margins on All Option-Related Sales by WYE Insiders. Source: WYE SEC Filings.



\* No options were exercised

Lastly, it is important we touch on the April 27<sup>th</sup> resignation announcement of CFO Martin, disclosed in a brief press release<sup>4</sup> that does not seem fitting for his years of service. Martin has been with the Company for 23 years and served as the CFO since

<sup>4</sup> "Wyeth Chief Financial Officer and Vice Chairman Kenneth J. Martin to Leave the Company", BusinessWire-First Call, April 27, 2007. Same information can be found in an SEC 8-K filed on the same date.

1998, making him one of the longest-tenured finance officers in big pharma. He was promoted to vice chairman just one year before announcing his departure “to pursue personal interests”, which will officially occur at the end of June. His early decision seems costly. He is entitled to all shares in his Deferred Compensation Plan account, but will not receive any “health or welfare benefits”. Had he remained on for two more years, he would have been entitled to full health benefits for him and his family, a much higher payout of pension benefits, and most importantly, the accelerated vesting of all unvested stock options and an extended period to exercise his vested options.

Wyeth has some of the more rigid separation rules written into its Equity Incentive Plan, such that his early retirement caused him to forfeit 146,000 unvested options and is required to exercise all vested options prior to his official June resignation date. With another 232,000 options carrying strike prices (\$60 and \$62) still underwater, it is possible the total amount of options forfeited could reach 480,000 should WYE shares not appreciate at least another 11% before the end of June. We should add here that even though Martin was obligated to exercise his vested options or risk forfeiture, there was no requirement for him to sell the underlying shares. Not only did he exercise all vested in-the-money options held, but immediately sold them for an average pre-tax profit of just 18%, including two series with spreads of 2% and 3%. We can not stress enough that there was no compulsion for him to sell the shares at this time, and he could have held out for higher returns if he believed they were coming. In all, Martin sold 515,536 shares, plus the entire 15,157 in his 401(k) plan, wiping out 97% of his actionable ownership all with time to spare before his departure.

Other notable Wyeth sellers include:

- **Paul Jones (61)** – V.P., Controller. With twelve years in the same position under his belt, Jones is the most senior executive in the Finance Department following the resignation of CFO Martin. To this, we find his recent sale of 77% of his equity to be that much more intriguing. On April 25<sup>th</sup>, just one day after the opening of a trading window, Jones cleared out three options series with expiration dates between April 2012 and April 2014 en route to selling 149,564 shares at \$56. One week later, on May 1<sup>st</sup>, he would then cash out the 15,533 shares held in his 401(K) retirement account. We note that we were unable to locate any SEC documents for options he may have received between 1998 and 2001. Our efforts to locate this information however, point to his having received grants during this timeframe. Hence, his position reduction appears accurate, marking the largest sell-off during his tenure. Jones’ next vesting period is April 2008, when 48,000 options and restricted shares will become actionable. It will be another twelve months after that before any more vest (see Appendix C).
- **Robert Ruffolo (56)** – Senior V.P.; President, Wyeth Research. Ruffolo, one of the Company’s “named executives”, has overseen all R&D operations since November 2000. He has proven to be one of Wyeth’s most restrained traders, having sold just twice, in February and October of 2006, since initially registering as a Section 16 insider in 2001. Now we have Ruffolo clearing out two option series on May 22<sup>nd</sup>, six and seven years before they were set to expire, selling the 130,436 shares for \$58.33. Taking into account the shares he sold in October, Ruffolo has now **sold 55% of his ownership in the past six months**. This percentage would be higher if we excluded from our calculation vested options held which carry a strike price of

\$56.52, less than a one dollar difference from the June 1<sup>st</sup> close. Ruffolo will have 111,000 options become actionable next April and then that will be it for the remainder of 2008 (see Appendix C).

- **Ulf Wiinberg (60)** – Senior V.P.; President, EMEA/Canada, Wyeth Pharma. A Section 16 filer since 2002 when he left Wyeth's United Kingdom operations to become president of the Consumer Healthcare division, Wiinberg had previously executed only two prior sales in the past five years covering 46,000 shares. With the shares now trading to a five year high, he cleared out three option series (expiration dates: May 2008, April 2013 and April 2014) to sell 84,178 shares on April 25<sup>th</sup> at \$56. His trade stands out not only because he **has now sold 55% of his position since October**, but also for the options he "skimmed". Wiinberg opted to monetize his May 2008 options, obviously months before he was compelled to act on them, for a pre-tax profit of just 12%. His two prior option-related sales netted an average profit of 36%. If he were convinced there was more upside remaining in Wyeth's current rally, we suspect he would have held the options longer. It will take two years for Wiinberg to vest in enough options to replace what he has recently sold (see Appendix C).
- **Marily Rhudy (59)** – Senior V.P., Public Affairs. Although Rhudy is not one of the more visible sellers, she has been an officer for ten years nonetheless and her actions deserve consideration. Rhudy first sold 40,666 shares on March 21<sup>st</sup> at \$49 just before the onset of a blackout period and then commenced her selling again on April 25<sup>th</sup> upon the reopening of the Q1 trading window. By May 22<sup>nd</sup> she sold another 38,534 shares at \$56 and \$58, concluding a two month period in which she sold more shares than she had cumulatively over the prior five years. In all, she **took profits on nearly 70% of her ownership** and will only have enough options (31,000) vest in 2008 to replace less than half of what she sold so far through May (see Appendix C).

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## Appendix A

Option and Restricted Stock Vesting Schedules for Selected Kindred Healthcare 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
<b>William Altman, Senior V.P.- Compliance and Government Programs. Common stock holdings: 481 shares</b>								
07/26/04	Options	8,659	\$23.89	07/26/05	07/26/14	2,886	2,886	07/26/07
07/26/04	R. Stock	6,494	N/A	07/26/05	07/26/07	2,164	2,164	07/26/07
04/27/05	Options	5,503	\$31.09	04/27/06	04/27/15	5,503	0	Fully Vested
04/27/05	R. Stock	2,908	N/A	04/27/06	04/27/09	1,454	1,454	04/27/08, 04/27/09
08/10/05	Options	7,509	\$31.14	08/10/06	08/10/16	7,509	0	Fully Vested
08/10/05	R. Stock	6,195	N/A	08/10/06	08/10/09	4,647	4,647	08/10/07, 08/10/08, 08/10/09
02/23/06	Options	6,227	\$21.99	02/23/07	02/23/16	4,671	4,671	02/23/08, 02/23/09, 02/23/10
02/23/06	R. Stock	5,138	N/A	02/23/07	02/23/10	3,854	3,854	02/23/08, 02/23/09, 02/23/10
04/25/07	R. Stock	20,819	N/A	04/25/08	04/25/11	20,819	20,819	04/25/08, 04/25/09, 04/25/10, 04/25/11
<b>Frank Battafarano, Executive V.P., President-Hospital Division. Common stock holdings: 46,073 shares</b>								
07/23/02	Options		\$15.91	07/23/03	07/23/12	4,984	0	Fully Vested
07/22/03	Options	25,330	\$11.02	07/22/04	07/22/13	13,174	0	Fully Vested
07/26/04	Options	15,206	\$23.89	07/26/05	07/26/14	15,206	5,069	07/26/07
07/26/04	R. Stock	11,404	N/A	07/26/05	07/26/07	3,802	3,802	07/26/07
02/23/05	Options	10,000	\$30.42	02/23/06	02/23/15	10,000	0	Fully Vested
02/23/05	R. Stock	15,000	N/A	02/23/06	02/23/08	5,000	5,000	02/23/08
04/27/05	Options	9,971	\$31.09	04/27/06	04/27/15	9,971	0	Fully Vested
04/27/05	R. Stock	8,226	N/A	04/27/06	04/27/09	4,113	4,113	04/27/08, 04/27/09
08/10/05	Options	27,500	\$31.14	08/10/06	08/10/16	27,500	0	Fully Vested
08/10/05	R. Stock	22,500	N/A	08/10/06	08/10/09	16,875	16,875	08/10/07, 08/10/08, 08/10/09
02/23/06	Options	67,017	\$21.99	02/23/07	02/23/16	67,017	50,263	02/23/08, 02/23/09, 02/23/10
02/23/06	R. Stock	55,289	N/A	02/23/07	02/23/10	41,467	41,467	02/23/08, 02/23/09, 02/23/10
04/25/07	R. Stock	16,276	N/A	04/25/08	04/25/11	16,276	16,276	04/25/08, 04/25/09, 04/25/10, 04/25/11
<b>Paul Diaz, President, Chief Executive Officer. Common stock holdings: 250,571 shares</b>								
01/28/02	Options	200,000	\$19.38	01/28/03	01/28/12	192,500	0	Fully Vested
07/23/02	Options	35,000	\$15.91	07/23/03	07/23/12	11,214	0	Fully Vested
07/22/03	Options	77,184	\$11.02	07/22/04	07/22/13	51,456	0	Fully Vested
10/28/03	Options	120,000	\$19.75	10/28/04	10/28/13	80,000	0	Fully Vested
07/26/04	Options	67,220	\$23.89	07/26/05	07/26/14	67,220	22,407	07/26/07
07/26/04	R. Stock	50,415	N/A	07/26/05	07/26/07	16,805	16,805	07/26/07
04/27/05	Options	58,584	\$31.09	04/27/06	04/27/15	58,584	0	Fully Vested
04/27/05	R. Stock	48,332	N/A	04/27/06	04/27/09	24,166	4,113	04/27/08, 04/27/09
08/10/05	Options	101,923	\$31.14	08/10/06	08/10/16	101,923	0	Fully Vested





## Appendix A

Option and Restricted Stock Vesting Schedules for Selected Kindred Healthcare 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
08/10/05	R. Stock	84,087	N/A	08/10/06	08/10/09	63,066	63,066	08/10/07, 08/10/08, 08/10/09
02/23/06	Options	101,923	\$21.99	02/23/07	02/23/16	67,017	50,263	02/23/08, 02/23/09, 02/23/10
02/23/06	R. Stock	84,087	N/A	02/23/07	02/23/10	41,467	41,467	02/23/08, 02/23/09, 02/23/10
04/25/07	R. Stock	71,139	N/A	04/25/08	04/25/11	71,139	71,139	04/25/08, 04/25/09, 04/25/10, 04/25/11

### Lane Bowen, Executive V.P., President-Health Services Division. Common stock holdings: 7,079 shares

07/26/04	Options	15,206	\$23.89	07/26/05	07/26/14	5,069	5,069	07/26/07
07/26/04	R. Stock	11,404	N/A	07/26/05	07/26/07	3,802	3,802	07/26/07
02/23/05	Options	10,000	\$30.42	02/23/06	02/23/15	10,000	0	Fully Vested
02/23/05	R. Stock	15,000	N/A	02/23/06	02/23/08	5,000	5,000	02/23/08
04/27/05	Options	7,307	\$31.09	04/27/06	04/27/15	7,307	0	Fully Vested
04/27/05	R. Stock	6,028	N/A	04/27/06	04/27/09	3,014	3,014	04/27/08, 04/27/09
08/10/05	Options	7,050	\$31.14	08/10/06	08/10/16	7,050	0	Fully Vested
08/10/05	R. Stock	5,816	N/A	08/10/06	08/10/09	4,362	4,362	08/10/07, 08/10/08, 08/10/09
02/23/06	Options	13,153	\$21.99	02/23/07	02/23/16	9,865	9,865	02/23/08, 02/23/09, 02/23/10
02/23/06	R. Stock	10,851	N/A	02/23/07	02/23/10	8,139	8,139	02/23/08, 02/23/09, 02/23/10
04/25/07	R. Stock	24,961	N/A	04/25/08	04/25/11	24,961	24,961	04/25/08, 04/25/09, 04/25/10, 04/25/11

### Richard Chapman, Executive V.P., Chief Administrative and Information Officer. Common stock holdings: 13,707 shares

07/26/04	Options	15,206	\$23.89	07/26/05	07/26/14	5,069	5,069	07/26/07
07/26/04	R. Stock	11,404	N/A	07/26/05	07/26/07	2,851	2,851	07/26/07
02/23/05	R. Stock	15,000	N/A	02/23/06	02/23/08	5,000	5,000	02/23/08
04/27/05	Options	7,307	\$31.09	04/27/06	04/27/15	7,307	0	Fully Vested
04/27/05	R. Stock	6,028	N/A	04/27/06	04/27/09	3,014	3,014	04/27/08, 04/27/09
08/10/05	Options	12,712	\$31.14	08/10/06	08/10/16	12,712	0	Fully Vested
08/10/05	R. Stock	10,488	N/A	08/10/06	08/10/09	7,866	7,866	08/10/07, 08/10/08, 08/10/09
02/23/06	Options	17,356	\$21.99	02/23/07	02/23/16	13,017	13,017	02/23/08, 02/23/09, 02/23/10
02/23/06	R. Stock	14,319	N/A	02/23/07	02/23/10	10,740	10,740	02/23/08, 02/23/09, 02/23/10
04/25/07	R. Stock	14,347	N/A	04/25/08	04/25/11	14,347	14,347	04/25/08, 04/25/09, 04/25/10, 04/25/11

### Ed Kuntz, Executive Chairman. Common stock holdings: 41,992 shares

07/23/02	Options	80,000	\$15.91	07/23/03	07/23/12	20,000	0	Fully Vested
07/26/04	Options	39,746	\$23.89	07/26/05	07/26/14	26,497	13,249	07/26/07
07/26/04	R. Stock	29,809	N/A	07/26/05	07/26/07	9,937	9,937	07/26/07
04/27/05	Options	19,164	\$31.09	04/27/06	04/27/15	19,164	0	Fully Vested
04/27/05	R. Stock	15,810	N/A	04/27/06	04/27/09	7,905	7,905	04/27/08, 04/27/09



## Appendix A

Option and Restricted Stock Vesting Schedules for Selected Kindred Healthcare 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
08/10/05	Options	33,341	\$31.14	08/10/06	08/10/16	33,341	0	Fully Vested
08/10/05	R. Stock	27,506	N/A	08/10/06	08/10/09	20,630	20,630	08/10/07, 08/10/08, 08/10/09
02/23/06	Options	23,974	\$21.99	02/23/07	02/23/16	23,974	17,981	02/23/08, 02/23/09, 02/23/10
02/23/06	R. Stock	19,779	N/A	02/23/07	02/23/10	14,835	14,835	02/23/08, 02/23/09, 02/23/10
02/22/07	R. Stock	11,000	N/A	02/22/08	02/22/10	11,000	11,000	02/22/08, 02/22/09, 02/22/10
04/25/07	R. Stock	35,569	N/A	04/25/08	04/25/11	35,569	35,569	04/25/08, 04/25/09, 04/25/10, 04/25/11
<b>Mark McCullough, President-Pharmacy Division. Common stock holdings: 0 shares</b>								
07/26/04	Options	8,659	\$23.89	07/26/05	07/26/14	2,886	2,886	07/26/07
07/26/04	R. Stock	6,494	N/A	07/26/05	07/26/07	2,165	2,165	07/26/07
04/27/05	R. Stock	6,028	N/A	04/27/06	04/27/09	3,014	3,014	04/27/08, 04/27/09
08/10/05	R. Stock	8,500	N/A	08/10/06	08/10/09	6,375	6,375	08/10/07, 08/10/08, 08/10/09
02/23/06	Options	10,816	\$21.99	02/23/07	02/23/16	8,112	8,112	02/23/08, 02/23/09, 02/23/10
02/23/06	R. Stock	8,924	N/A	02/23/07	02/23/10	6,693	6,693	02/23/08, 02/23/09, 02/23/10
<b>M. Suzanne Riedman, Senior V.P., General Counsel. Common stock holdings: 10,117 shares</b>								
07/22/03	Options	16,742	\$11.02	07/22/04	07/22/13	11,160	0	Fully Vested
07/26/04	Options	10,345	\$23.89	07/26/05	07/26/14	10,345	3,449	07/26/07
07/26/04	R. Stock	7,759	N/A	07/26/05	07/26/07	2,586	2,586	07/26/07
04/27/05	Options	6,332	\$31.09	04/27/06	04/27/15	6,332	0	Fully Vested
04/27/05	R. Stock	3,346	N/A	04/27/06	04/27/09	1,676	1,673	04/27/08, 04/27/09
08/10/05	Options	11,016	\$31.14	08/10/06	08/10/16	11,016	0	Fully Vested
08/10/05	R. Stock	5,821	N/A	08/10/06	08/10/09	4,366	4,366	08/10/07, 08/10/08, 08/10/09
02/23/06	Options	8,810	\$21.99	02/23/07	02/23/16	8,810	6,608	02/23/08, 02/23/09, 02/23/10
02/23/06	R. Stock	7,269	N/A	02/23/07	02/23/10	5,452	5,452	02/23/08, 02/23/09, 02/23/10
04/25/07	R. Stock	6,521	N/A	04/25/08	04/25/11	6,521	6,521	04/25/08, 04/25/09, 04/25/10, 04/25/11



## Appendix B

Option and Restricted Stock Vesting Schedules for Selected SunPower Corp. 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
<b>Betsy Atkins, Director. Common stock holdings: 0 shares</b>								
09/23/05	Options	30,000	\$9.50	09/23/06	09/23/15	20,500	20,500	500 options vest each month through 9/10
11/09/05	Options	6,000	\$10.80	11/09/06	11/09/16	4,200	4,100	100 options vest each month through 06/10
05/05/06	Options	6,000	\$39.35	06/05/06	05/05/16	4,800	4,700	100 options vest each month through 06/11
06/27/06	R. Stock	2,000	N/A	12/27/06	06/27/08	1,500	1,500	06/27/07, 12/27/07, 06/27/08
05/07/07	Options	6,000	\$56.20	06/07/07	05/07/17	6,000	5,900	100 options vest each month through 05/11
05/07/07	R. Stock	2,000	N/A	11/07/07	05/07/09	2,000	2,000	11/07/07, 05/08/08, 11/07/08, 05/08/09
<b>Emmanuel Hernandez, Chief Financial Officer. Common stock holdings: 0 shares</b>								
04/24/05	Options	1,041,738	\$3.30	04/24/05	04/24/15	476,738	289,370	28,937 options vest each month through 4/08
05/04/07	R. Stock	5,000	N/A	05/04/08	05/04/11	5,000	5,000	05/04/08, 05/04/09, 05/04/10, 05/04/11
<b>Bruce Ledesma, General Counsel. Common stock holdings: 0 shares</b>								
09/12/05	Options	61,739	\$2.60	09/12/05	09/12/15	30,870	15,435	09/12/07
02/08/07	R. Stock	41,443	N/A	02/08/08	02/08/11	41,443	41,443	25% options vest on 2/8/08, remainder vest 1/4
<b>P.M. Pai, Chief Operating Officer. Common stock holdings: 0 shares</b>								
03/17/05	Options	425,000	\$3.30	03/17/05	03/17/15	299,000	266,302	5,666 options vest each month through 3/10
05/04/07	R. Stock	3,000	N/A	05/04/08	05/04/11	3,000	3,000	05/04/08, 05/04/09, 05/04/10, 05/04/11
<b>Richard Swanson, President and Chief Technical Officer. Common stock holdings: 15,000 shares</b>								
06/17/04	Options	439,800	\$3.30	06/17/05	06/17/15	205,800	175,920	7,330 options vest each month through 6/10
05/04/07	R. Stock	3,000	N/A	05/04/08	05/04/11	3,000	3,000	05/04/08, 05/04/09, 05/04/10, 05/04/11
<b>Howard Wenger, V.P.-Global Business Units. Common stock holdings: 0 shares</b>								
02/25/04	Options	61,739	\$1.77	<sup>1</sup>	02/25/14	32,500	0	Fully Vested
12/07/04	Options	117,303	\$1.77	<sup>1</sup>	12/07/14	92,832	0	Fully Vested
02/08/07	R. Stock	74,579	N/A	02/08/08	02/08/11	74,579	74,579	25% options vest on 2/8/08, remainder vest 1/4



## Appendix B

Option and Restricted Stock Vesting Schedules for Selected SunPower Corp. 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
<b>Thomas Werner, Chief Executive Officer. Common stock holdings: 10,000 shares</b>								
06/09/03	Options	535,000	\$0.50	06/09/04	06/09/13	139,993	120,000	10,000 vest each month through 6/08
06/17/04	Options	640,300	\$3.30	06/17/05	06/17/14	625,307	256,120	10,671 vest each month through 6/09
03/17/05	Options	250,000	\$3.30	03/17/06	03/17/15	250,000	187,502	4,166 vest each month through 3/10

<sup>1</sup> The Company did not disclose when these options first began vesting



## Appendix C

Option and Restricted Stock Vesting Schedules for Selected Wyeth 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
<b>Robert Essner, Chairman, Chief Executive Officer. Common stock holdings: 75,912 shares</b>								
06/22/98	Options	177,800	\$51.40	06/22/99	06/22/08	177,800	0	Fully Vested
05/20/99	Options	177,800	\$62.31	05/20/00	05/20/09	177,800	0	Fully Vested
04/27/00	Options	207,000	\$56.59	04/27/01	04/27/10	207,000	0	Fully Vested
04/26/01	Options	360,000	\$56.52	04/26/02	04/26/11	360,000	0	Fully Vested
06/21/01	Options	630,000	\$62.40	06/21/02	06/21/11	630,000	0	Fully Vested
04/25/02	Options	540,000	\$60.70	04/25/03	04/25/12	540,000	0	Fully Vested
04/24/03	Options	600,000	\$41.05	04/24/04	04/24/13	600,000	0	Fully Vested
04/22/04	Options	480,000	\$40.22	04/22/05	04/22/14	480,000	0	Fully Vested
04/21/05	Options	432,000	\$43.57	04/21/06	04/21/15	432,000	144,000	04/21/08
04/27/06	Options	410,000	\$48.22	04/27/07	04/27/16	410,000	273,333	04/27/08, 04/24/09
04/26/07	Options	370,000	\$56.00	04/26/08	04/26/17	370,000	370,000	04/26/08, 04/26/09, 04/26/10
<b>Paul Jones, V.P., Controller. Common stock holdings: 4,784 shares</b>								
04/21/05	Options	44,500	\$43.57	04/21/06	04/21/15	44,500	14,834	04/21/08
04/21/05	R. Stock	5,560	N/A	04/21/08	04/21/08	5,560	5,560	04/21/08
04/27/06	Options	41,850	\$48.22	04/27/07	04/27/16	41,850	27,900	04/27/08, 04/24/09
04/27/06	R. Stock	5,230	N/A	04/27/09	04/27/09	5,230	5,230	04/27/09
04/26/07	Options	37,670	\$56.00	04/26/08	04/26/17	37,670	37,670	04/26/08, 04/26/09, 04/26/10
04/26/07	R. Stock	4,710	N/A	04/27/10	04/27/10	4,710	4,710	04/27/10
<b>Rene Lewin, Senior V.P.-Human Resources. Common stock holdings: 11,892 shares</b>								
04/22/04	Options	73,000	\$40.22	04/22/05	04/22/14	73,000	0	Fully Vested
04/21/05	Options	66,000	\$43.57	04/21/06	04/21/15	66,000	22,000	04/21/08
04/27/06	Options	62,000	\$48.22	04/27/07	04/27/16	62,000	41,334	04/27/08, 04/24/09
04/26/07	Options	55,800	\$56.00	04/26/08	04/26/17	55,800	55,800	04/26/08, 04/26/09, 04/26/10
<b>Kenneth Martin, Chief Financial Officer, Vice Chairman. Common stock holdings: 17,346 shares</b>								
05/20/99	Options	88,000	\$62.31	05/20/00	05/20/09	75,000	0	Fully Vested
04/25/02	Options	157,500	\$60.70	04/25/03	04/25/12	157,500	0	Fully Vested
04/21/05	Options	138,000	\$43.57	04/21/06	04/21/15	46,000	46,000	04/21/08
04/27/06	Options	150,000	\$48.22	04/27/07	04/27/16	100,000	100,000	04/27/08, 04/24/09



## Appendix C

Option and Restricted Stock Vesting Schedules for Selected Wyeth 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
<b>Charles Portwood, President-Technical Operations and Product Supply, Wyeth Pharmaceuticals. Common stock holdings: 18,633 shares</b>								
11/15/01	Options	60,000	\$56.97	11/15/02	11/15/11	60,000	0	Fully Vested
04/25/02	Options	60,000	\$60.70	04/25/03	04/25/12	60,000	0	Fully Vested
04/24/03	Options	35,000	\$41.05	04/24/04	04/24/13	35,000	0	Fully Vested
04/22/04	Options	63,000	\$40.22	04/22/05	04/22/14	63,000	0	Fully Vested
04/21/05	Options	46,500	\$43.57	04/21/06	04/21/15	46,500	15,500	04/21/08
04/27/06	Options	43,710	\$48.22	04/27/07	04/27/16	43,710	29,140	04/27/08, 04/24/09
04/26/07	Options	37,150	\$56.00	04/26/08	04/26/17	37,150	37,150	04/26/08, 04/26/09, 04/26/010
<b>Marily Rhudy, Senior V.P.-Public Affairs. Common stock holdings: 29,829 shares</b>								
04/21/05	Options	33,300	\$43.57	04/21/06	04/21/15	11,100	11,100	04/21/08
04/27/06	Options	31,300	\$48.22	04/27/07	04/27/16	31,300	22,200	04/27/08, 04/24/09
04/26/07	Options	28,170	\$56.00	04/26/08	04/26/17	28,170	28,170	04/26/08, 04/26/09, 04/26/010
<b>Douglas Rogers, President-Wyeth Consumer Health. Common stock holdings: 15,743 shares</b>								
05/20/99	Options	24,000	\$62.31	05/20/00	05/20/09	24,000	0	Fully Vested
04/27/00	Options	35,000	\$56.59	04/27/01	04/27/10	35,000	0	Fully Vested
04/26/01	Options	31,500	\$56.52	04/26/02	04/26/11	31,500	0	Fully Vested
04/25/02	Options	45,000	\$60.70	04/25/03	04/25/12	45,000	0	Fully Vested
04/24/03	Options	25,000	\$41.05	04/24/04	04/24/13	14,000	0	Fully Vested
04/22/04	Options	45,000	\$40.22	04/22/05	04/22/14	30,000	0	Fully Vested
04/21/05	Options	32,540	\$43.57	04/21/06	04/21/15	32,540	10,847	04/21/08
04/27/06	Options	35,000	\$48.22	04/27/07	04/27/16	35,000	23,334	04/27/08, 04/24/09
04/26/07	Options	31,500	\$56.00	04/26/08	04/26/17	31,500	31,500	04/26/08, 04/26/09, 04/26/010
<b>Robert Ruffolo, Senior V.P., President-Wyeth Research. Common stock holdings: 30,854 shares</b>								
01/23/01	Options	80,000	\$53.85	01/23/02	01/23/11	80,000	0	Fully Vested
04/26/01	Options	70,000	\$56.52	04/26/02	04/26/11	70,000	0	Fully Vested
04/25/02	Options	132,500	\$60.70	04/25/03	04/25/12	70,000	0	Fully Vested
04/21/05	Options	115,000	\$43.57	04/21/06	04/21/15	115,000	38,334	04/21/08
04/27/06	Options	110,000	\$48.22	04/27/07	04/27/16	110,000	73,334	04/27/08, 04/24/09
04/26/07	Options	110,000	\$56.00	04/26/08	04/26/17	110,000	110,000	04/26/08, 04/26/09, 04/26/010



## Appendix C

Option and Restricted Stock Vesting Schedules for Selected Wyeth 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
<b>Ulf Wiinberg, Senior V.P., President, EMEA/Canada, Wyeth Pharmaceuticals. Common stock holdings: 57,848 shares</b>								
04/21/05	Options	50,000	\$43.57	04/21/06	04/21/15	50,000	16,667	04/21/08
04/27/06	Options	55,000	\$48.22	04/27/07	04/27/16	55,000	36,667	04/27/08, 04/24/09
04/26/07	Options	52,250	\$56.00	04/26/08	04/26/17	52,250	52,250	04/26/08, 04/26/09, 04/26/010

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