3D ADVISORS

Research Notes

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

Companies in this Research Notes

- Aetna Inc. (NYSE: AET)
- bebe stores, inc. (NASDAQ: BEBE)
- Terex Corp. (NYSE: TEX)
- Total System Services, Inc. (NYSE: TSS) ⬆
- Synovus Financial Corp. (NYSE: SNV) ⬆
- Vail Resorts Inc. (NYSE: MTN)
- ValueClick Inc. (NASDAQ: VCLK)

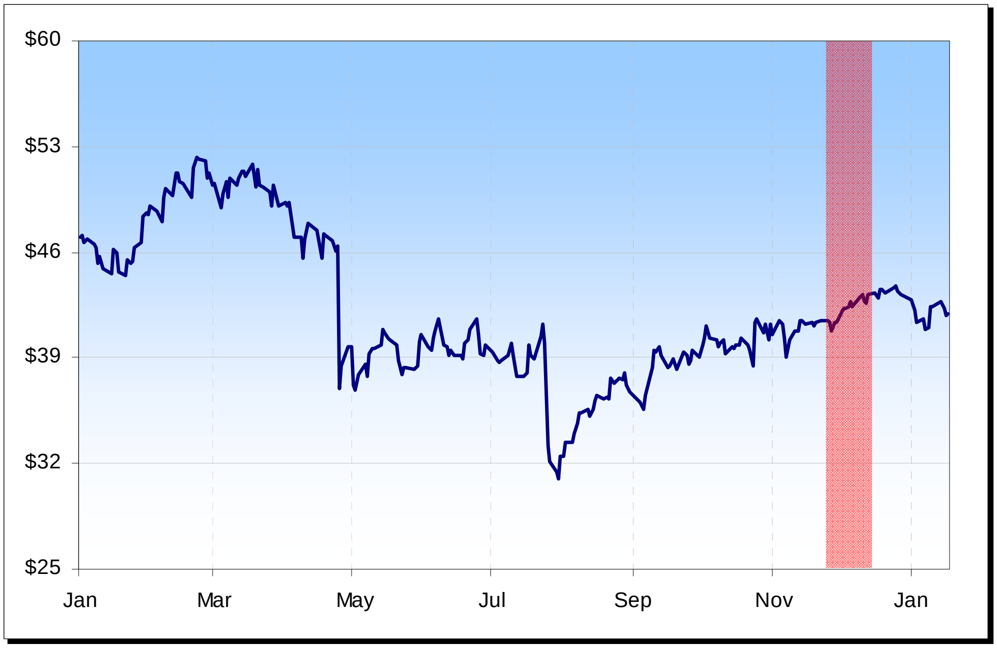
3DAdvisors Research Notes

<u>Aetna Inc. (NYSE: AET)</u>

- There has been a general shift in insider sentiment at Aetna as the issue has reclaimed much of the value lost when the Company announced in July that it cut its full-year enrollment targets. The first indication of a sentiment reversal occurred in mid-2006 when insiders, who unloaded stock valued at more than $230 million over the past four years, ceased all selling and even made token purchases between May and October totaling $3 million. Not only has that period of buying ended, but we are once again seeing insiders resume their aggressive diversification habits.

- Two of the Company's named executives, Senior V.P., CFO **Alan Bennett** (55) and Chief Investment and Chief Enterprise Risk Officer **Timothy Holt** (52) adopted 10b5-1 personal sales plans on October 30th to distribute undisclosed amounts of their ownership. We should note that neither exec had been a buyer in 2006. Bennett, who had previously sold 280,000 shares in 1Q06 at prices as high as $52, cleared out an option series with seven years remaining before expiration and sold the 200,000 shares on December 7th and December 11th at $43, a discount greater than 15% from prices he accepted for his stock earlier in the year. His cumulative sales erased 70% of his ownership in 2006 and dropped his holdings to levels not seen in the past four years.

Figure 1. AET Daily Closing Price 01/03/06 through 01/19/07. Shaded red area is where 3 insiders sold 313,040 shares. Source: Reuters and AET SEC Filings.



- Timothy Holt, who sold more than $30 million in stock over the past three years, including 250,000 shares in 1Q06, also monetized options, not at risk of expiring, to sell 100,000 shares between November 27th and December 18th at roughly $42. His sales were executed at prices nearly 10% below where the shares traded at the time of his last trades. There is a noticeable downtrend in his year-over-year holdings dating back to 2004, including a 35% decline in 2006.

- Overall, the 4Q06 selling was well off the average quarterly selling volume of 600,000-plus shares established over the prior three years. Consequently, we are considering this an early "Heads Up" for our clients that we are now closely monitoring the Company for any further activity. It does not seem a coincidence that these sales coincide with the moderate swing in Street sentiment, which has gone from bullish to neutral in recent months.

<u>bebe stores, inc. (NASDAQ: BEBE)</u>

- There have been some significant events at bebe stores since we last covered significant insider selling at BEBE in an Insider Research Bulletin dated 12/08/06. First and foremost was the casual announcement that Co-Founder and Vice Chairman **Neda Mashouf** (42) has resigned. We find it very odd the Company never issued a formal press release announcing her departure, instead, burying the announcement in the Company's "Risk Factors" section of an SEC Form 10-Q filed on 11/09/06 and later reiterating the news in the January 4th December comp sales release since it will impact the naming of the Company's new accessories concept (formerly named "Neda"). Mrs. Mashouf is widely credited with the success of the Company's apparel design and innovation. It would appear there were hints that something was shifting with regards to Mrs. Mashouf as she seemingly became more "indispensable" with each new modification of the risk disclosure in subsequent 2006 SEC filings. Below are excerpts from three successive filings starting with the fiscal year Q2 SEC Form 10-Q. You will see the first disclosure in May 2006 did not name her as a key employee only to later confess that her loss would have an *adverse* effect on operations [bolding is ours]:

Risk Factors – FY2Q06 10-Q (filed on 05/11/06) – We depend upon the expertise and execution of our key employees, particularly Manny Mashouf, the founder, Chairman of the Board and majority shareholder, and Gregory Scott, our Chief Executive Officer and member of the Board of Directors. If we lose the services of Mr. Mashouf, Mr. Scott, or any key officers or employees, it could harm our business and results of operations.

Risk Factors – FY2005 10-K (filed on 09/14/06) – We depend upon the expertise and execution of our key employees, particularly Manny Mashouf, the founder, Chairman of the Board, and majority shareholder, Gregory Scott, our Chief Executive Officer and member of the Board of Directors, and Neda Mashouf, Vice Chairman of the Board. If we lose the services of Mr. Mashouf, Mr. Scott, Ms. Mashouf, or any key officers or employees, it could harm our business and results of operations.

Risk Factors – FY3Q06 10-Q (filed on 11/09/06) – We depend on the expertise and execution of our key employees, particularly Manny Mashouf, our founder and Chairman of the Board, and Gregory Scott, our Chief Executive Officer and member of the Board of Directors. If we lose the services of Mr. Mashouf or Mr. Scott, or any key officers or employees, it could harm our business and results of operations. **Proceedings have been commenced for dissolution of the marriage of Manny and Neda Mashouf and on November 8, 2006, Neda Mashouf resigned from the Company and from our Board of Directors. We previously identified Neda Mashouf as a key employee. The loss of Ms. Mashouf could have an adverse effect on our operations and as a result, our business could suffer.**

- The divorce of Neda and Manny Mashouf could have serious implications in terms of the Company's structure. No information has been provided to date, but the two share beneficial ownership over 74% of the Company's outstanding shares. Currently, BEBE operates under controlled company status, which affords many freedoms from certain NASDAQ listing requirements. Should Mrs. Mashouf be granted half of the shares in a divorce settlement, which would lead to no single shareholder owning more than 50% of the shares, the Company would be forced to change many of its governance policies in order to comply with NASDAQ regulations. Plus, the door would be open for Mrs. Mashouf to diversify significant amounts of stock which could pressure the shares.

- Finally, there have been additional sales since our last report which were executed at prices well off the recent high of $26. Although the volume pales in comparison to what we saw earlier in the fourth quarter, we can not discount the activity. COO, CFO **Walter Parks** (47) sold 12,500 shares on December 14th at $20 after having sold a month earlier at $23. Parks monetized nearly his entire position in 2006 before the vesting of options replenished his actionable ownership in December. On December 15th General Counsel **Lawrence Smith** (40) accepted 17% lower prices ($20) for 2,500 shares after selling at $24 just one month earlier. All of these sales preceded the Company's January 4th announcement that December comp sales missed the mark while also issuing a fiscal second quarter earnings warning, lowering the bar by 18%.

Terex Corp. (NYSE: TEX)

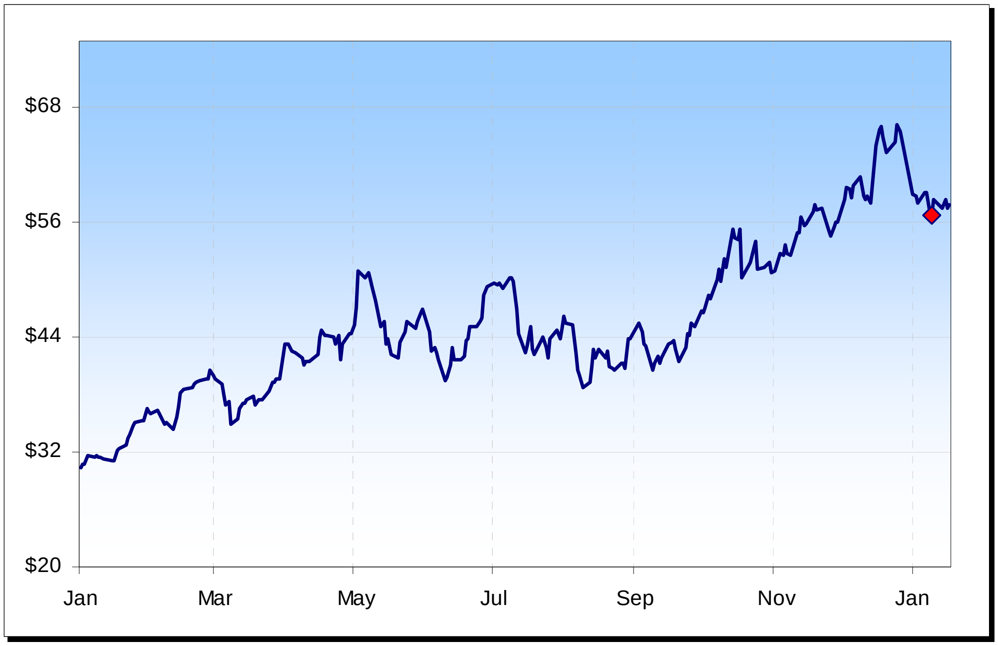
- Since issuing our last coverage on Terex in a 3DA update report dated 11/16/06, we found there has been a material shake-up in the senior executive ranks, which to some extent, was not disclosed by the Company. On December 19th Terex filed an SEC Form 8-K with details of the resignation of Executive V.P., Operations **Colin Robertson** (41). Robertson was "promoted" to his current position in January 2006 after overseeing the ailing Construction division for three years. After an eleven year career with the Company, it does not appear his resignation, which does not take effect until April, was well received by the Company. Not only did he request to work from home until his last day, but the Company also adjusted the reporting line so that he no longer advises Chairman, CEO **Ronald DeFeo,** while also denying eligibility for the one year of severance payments that he was entitled to under his employment agreement.

- Another key executive who apparently has departed is **Christian Ragot** (48), the president of Terex's Utilities and Roadbuilding division and an executive whom along with Robertson, we have followed closely. On January 4th reports surfaced that Ragot accepted the chief operating officer position at FreightCar America (NASDAQ:RAIL) and will replace the railcar manufacturer's CEO in April. While Ragot's resignation might not have warranted 8-K disclosure since he was not a named executive, we are surprised that Terex failed to issue a press release for either resignation. We should also point out that Robertson and Ragot respectively shed 98% and 55% of their ownership in 2006.

- While the Company has neglected to issue press releases for departing execs, it has taken strides to actively promote its new appointments. On October 3rd Terex announced the hiring of new Aerial Work Platforms division president **Tim Ford**, who replaced frequent seller **Robert Wilkerson (56)**. Aerial Work Platforms represents the segment providing the highest growth and margins for Terex. Wilkerson will reportedly stay with the Company to "help with customer and other growth initiatives," though we do not expect a prolonged tenure. Additional new hires include **Tom Riordan**, who became president and chief operating officer on January 1st, as well as **Robert Isaman**, formerly of United Technologies Inc. (NYSE: UTX) who filled the vacant president of Construction division position on January 2nd.

- Finally, there have been a few additional sales worth mentioning in the past month. General Counsel **Eric Cohen** (47), who sold 55% of his ownership in 2006, sold 13,016 shares on January 3rd at $61, but even more notable was the sale by the Company's chief executive. DeFeo sold 50,000 shares of common stock on January 11th, which at face value, seems innocuous since the shares represented less than 5% of his holdings. However, he executed the sale at $55, nearly 17% off the high established two weeks earlier. We find it very interesting that he opted to sell once the shares came under pressure immediately after an analyst downgrade to “Sell” rocked the shares.

Figure 2. TEX Daily Closing Price, 01/03/06 through 01/19/07. Red diamond is the date that Ronald DeFeo sold. Source: Reuters and TEX SEC Filing.



Total System Services, Inc. (NYSE: TSS) and Synovus Financial Corp. (NYSE: SNV)

- We are continuously on the lookout for subtle, potentially bullish insider behavior and none has had our attention more in recent months than Grantor Retained Annuity Trust (GRAT) contributions made by key shareholders in a position to exert significant control over a company. For more detailed information on GRATs and the implications of their utilization, please refer back to a 3DA Special Report posted on 08/02/06. Although the use of GRATs has become increasingly more common, the occurrence of sizeable contributions that represent a significant percentage of a large shareholder’s ownership is quite rare. One recent situation has grabbed our attention not just for the amount of shares transferred into the trusts but also owing to the insider’s history of generating respectable tax-free returns for his beneficiaries.

- **James Blanchard** (65), a highly-regarded figure in the Georgia business community, stepped down from his chief executive post at Synovus Financial in June 2005 after 34 years in the position and later gave up his chairman title in October 2006. He remains on Synovus’ board and continues to serve as the chairman of the Executive Committee of the Company’s majority owned subsidiary, Total System Services (TSS). Contrary to the more typical diversification strategy implemented by insiders in similar circumstances, Blanchard, who has never sold a share at either company, recently contributed significant percentages of his ownership of both Synovus and TSS into GRATs. Blanchard is the largest inside shareholder at TSS (1.03 million shares) and third largest at Synovus (2.9 million shares).

- On January 3rd, with TSS shares trading at a two-year high, Blanchard contributed 859,520 shares, or roughly 85% of his holdings, into two separate GRATs. Keep in mind, a GRAT rewards the beneficiary only when the stock appreciates annually more than the IRS hurdle rate, which in this case was 5.6%. Since 2002, Blanchard has contributed TSS stock into GRATs on five different occasions, always after the issue has come under significant downside pressure, which is why the 2007 move presents a very unique situation as the issue had traded 50% higher in six months. As mentioned, his trust investment decisions have generated abnormally high returns for his beneficiaries. **Any investor who bought the issue on the five dates he made contributions and sold one year later would have a total return of 174.7% in just four years**.

- During the same timeframe Blanchard transferred his TSS shares, he also made his largest-ever GRAT contribution of SNV shares, 777,327 in all, which accounted for 30% of his SNV holdings. Although the returns generated from his past Synovus GRAT activity have not been nearly as substantial as those at TSS, any investor who mirrored his five transactions dating back to January 2001 would have recognized a cumulative return of 30%. However, if one had sold six months after his five GRAT contributions, the total return would have been 57%.

- Shortly after Blanchard's activity, TSS shares spiked 10.6% when the Company issued a 4Q earnings report that surpassed Street expectations and also raised guidance for 2007. The following day Synovus reported fourth quarter earnings of its own which beat the consensus by 8%. Based on the long-term implications of a GRAT investment, we suspect Blanchard expects, at the very least limited downside, if not further upside from even the new highs established on the earnings report.

TSS GRAT Contributions

Contribution Date	Return (3 Months)	Return (6 Months)	Return (12 Months)
October 8, 2002	29.2%	36.6%	134.5%
February 28, 2004	5.3%	4.2%	12.7%
May 10, 2004	0.3%	14.3%	7.3%
October 22, 2004	0.0%	9.0%	-11.2%
January 10, 2006	0.1%	-6.2%	31.4%
Total Return	**34.9%**	**57.9%**	**174.7%**

SNV GRAT Contributions

Contribution Date	Return (3 Months)	Return (6 Months)	Return (12 Months)
January 20, 2001	7.5%	26.2%	3.5%
October 29, 2001	18.4%	-0.4%	-20.2%

July 5, 2003	13.9%	20.3%	10.4%
May 8, 2004	2.5%	11.6%	15.4%
January 17, 2006	2.7%	-1.1%	20.4%
Total Return	**45.0%**	**56.6%**	**29.5%**

Vail Resorts Inc. (NYSE: MTN)

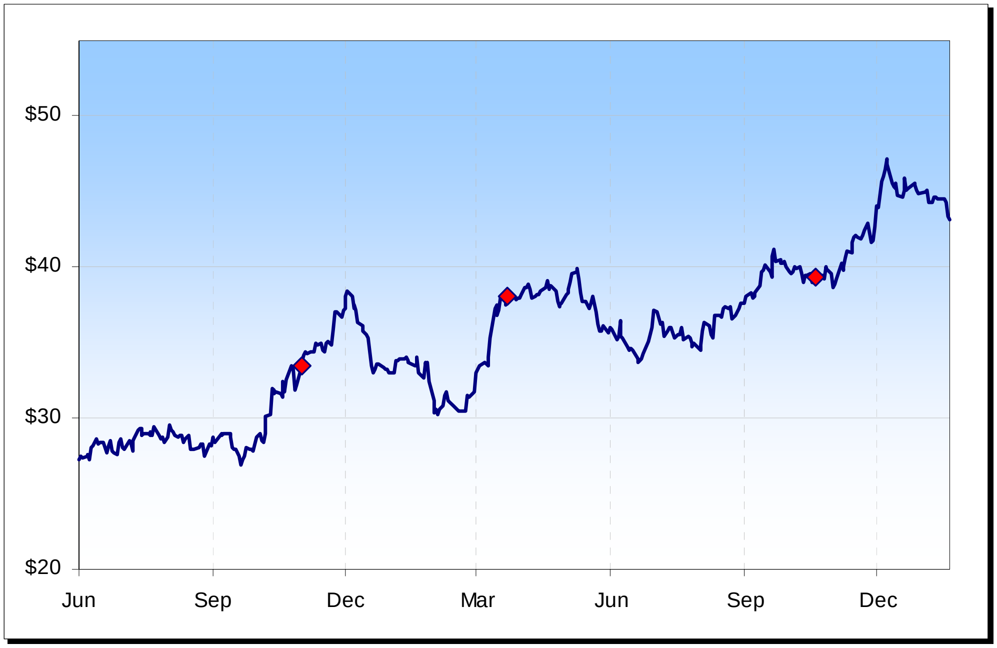
- Although the abundance of snow to hit Colorado in December may have been challenging for residents and travelers, we suspect it was celebrated by ski enthusiasts. It would seem that resorts owned by Vail Resorts would benefit not only from the abnormal levels of snow in their region, but the unfavorable ski conditions at properties in the Northeast and across Europe. Now, despite a very encouraging ski season ahead, the insider sentiment at Vail has once again turned bearish.

- Following a six month trading recess, insider selling resurfaced in the fourth quarter with some very notable ownership reductions to boot. Leading the pack was Senior V.P., CFO **Jeffrey Jones** (44) who executed his first sale since joining the Company in 2003. Jones cleared out all 75,000 options granted him upon commencement of his employment (expiration dates: September 2003 and November 2003), selling all shares on December 13th at $45. The shares accounted for 60% of his actionable ownership. Also taking action in the fourth quarter was Co-President of the Mountain Division (Vail, Beaver Creek, and Heavenly) **William Jensen** (54), a veteran exec we highlighted in our earlier MTN coverage in 3DA reports dated 02/09/06 and 04/03/06. After selling 180,000 shares in 2005, or roughly 90% of his ownership at the time, Jensen sold a total of 23,333 shares between October 9th and December 26th at an average price of $43. The sales lowered his remaining holdings by 55%.

- On December 6th Vail Resorts announced that after serving the Company for eight years, Executive V.P. and General Counsel **Martha Rehm** (56) resigned effective March 31st. Rehm had been selling off her holdings under a personal sales plan for much of 2006 and accelerated her diversification between November 10th and January 10th, with her percentage reduction now reaching 63%. It is possible that she was not on board with new management's unpopular decision to relocate headquarters from Avon to the Denver area at the end of the month. It will be interesting to see if any additional executives follow her lead.

- Finally, we had also previously covered the monetization of shares through prepaid forward sales by the Company's largest shareholder (19% ownership stake), Ralcorp Holdings, which is controlled by Director **William Stiritz** (72) and Chairman **Joe Micheletto** (70). On October 20th, Ralcorp sold forward an additional 1.2 million Vail shares and now has 65% of its stock pledged to undisclosed third party investors. Most notable about this transaction is that after taking a 13% and 18.5% discount for its shares in its last two forward sale contracts in October 2005 and Mach 2006, **Ralcorp accepted an upfront cash payment equal to just 60% of its stock's market price** to close the recent deal. This might be the steepest concession we have ever seen in similar derivative transactions.

Figure 3. MTN Daily Closing Price, 06/01/05 through 01/19/07. Red diamonds are the dates where Ralcorp Holdings monetized a total of 4.95 million shares with forward sales. Source: Reuters and MTN SEC Filings.



<u>ValueClick Inc. (NASDAQ: VCLK)</u>

- Shares of ValueClick surged 9% to a new high on January 16th when European online marketer TradeDoubler turned down a buyout offer, suggesting VCLK might be deserving of a higher valuation while also triggering speculation that the Company, or at least some of its parts, might be up for sale. Based on recent insider activity, we would suspect no deal is in the works to sell ValueClick at a significant premium above the level of recent insider sale prices. From our experience, insiders rarely sell ahead of a deal if they anticipate their company being sold at a premium to current market prices. In this case, three insiders sold 236,825 shares between December 13th and December 15th, which follows the 1.82 million shares sold over the prior four months. For additional details on these trades, please refer to the three preceding 3DA reports issued on 09/19/06, 11/21/06, and 12/18/06.

- The most notable of the recent trades came from one of the Company's three independent board members, **David Buzby** (46), who has served ValueClick for seven years, chairs the Audit Committee and is also a member of the Compensation Committee. Buzby cashed out 85% of his actionable holdings, or 200,575 shares, on December 15th, clearing out all stock held in his trust in addition to monetizing three separate option series with six to nine years remaining before expiration. Equally as significant as the sale's effect on his holdings is the fact that he had been acquiring these shares annually since December 2003, with two of his last three purchases preceding six month gains over 80%. Buzby timed the execution of his December sale to coincide with *the first day of eligibility* after the lapse of the six month short swing period from his most recent buy on June 15th. This type of behavior confirms to us his desire to cash out at the earliest opportunity.

- Also selling was **Tom Vadnais** (58), a board member and senior vice president of ValueClick's Commission Junction and Mediaplex divisions. Vadnais sold for the first time in a year, distributing just a small percentage of his ownership, 30,000 shares, on December 14th, while General Counsel **Scott Barlow** (37) monetized 6,250 options on December 13th just before they expired. Barlow's three dispositions over the past six months shed 30% of his holdings.

- While the sales by the two named above had a slight impact on their ownership, we are more focused on the four operating execs who sold more than 70% of their ownership in the fourth quarter, including CEO **James Zarley** (61) and CFO **Scott Ray** (41), who cleared out 75% and 100% of their holdings, respectively. We are doubtful management would be cashing out their shares to this degree if they, like certain analysts covering the Company, felt the shares were currently undervalued.

Figure 4. VCLK Daily Closing Price, 01/01/05 through 01/19/07. Green diamonds are the dates where Director David Buzby bought shares; Red diamond is the date where he sold. Source: Reuters and VCLK SEC Filings.