This 3DAdvisors Report Covers:
✓ **Insider Trading**: Insider Trading Behavior
✓ **Accounting**: Quality of Earnings Issues
✓ **Governance:** Corporate Governance Issues

Q1 Recap: Questionable Selling, Accounting, Turnover
Pharmaceutical Product Development Inc. (NASDAQ:PPDI)

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Business Description

Pharmaceutical Product Development Inc., a contract research organization, provides drug discovery and development services, post-approval expertise, and compound partnering programs. The company operates in two segments: Discovery Sciences and Development. The company also offers support services, such as product launch services, medical information, patient compliance programs, patient and disease registry programs, product safety and pharmacovigilance, phase IV monitored studies, and prescription-to-over-the-counter or Rx-to-OTC programs. It offers its services to pharmaceutical, biotechnology, and medical device companies, as well as academic and government organizations. The Company has operations in the Americas, Europe, Africa, the Middle East, Asia, and Australia. Pharmaceutical Product Development, Inc. was founded in 1985 and is headquartered in Wilmington, North Carolina.

Key Statistics

Sector:	Last Close:	Market Cap:	Avg Vol (3m):
Healthcare	**$39.08**	**$4.62B**	**761,990**
Industry:	**52 Wk Range:**	**Trailing P/E:**	**Shrs Out:**
Med. Labs & Research	**$29.55-$40.80**	**29.63**	**118.61M**
F/T Employees:	**FYE:**	**Forward P/E:**	**Short % of Float:**
9,150	**31-Dec**	**21.12**	**3.10%**

Summary of 3DAdvisors Findings for PPDI

- **Governance:** Timing of executive departures seems more than a coincidence
- **Accounting:** More aggressive use of POC accounting in most recent quarter
- **Insider Trading:** While some executives depart, others reduce holdings
- **Fundamentals:** Once viewed as source of growth, plans for Dapoxetine in doubt
- **Fundamentals:** Other setbacks in Discovery Sciences segment

Discussion of 3DAdvisors Findings for PPDI

We have been monitoring Pharmaceutical Product Development Inc. (PPDI) for more than a year now after having first noticed a distinct increase in the trading activity of several key executives that resulted in significant erosion of their actionable holdings. More recently, we have been motivated to elevate PPDI on our interest list due to a continuation of the selling behavior, but also because of the resignation or removal of three of the Company's senior executives in rapid succession.

Following our initial coverage in Research Notes on 07/11/06, where we described a year-long acceleration in insider selling, it was disclosed as part of the 3Q06 earnings release on October 16th that one of the key selling executives, President **William Davenport**, would be leaving by year-end. Not long afterwards, the Company tersely announced the planned departures of Executive V.P., Global Clinical Operations **Colin Shannon** (February 27th) and CFO **Linda Baddour** (April 30th). From the disclosures, it is unclear whether the departures were voluntary or not. The fact that both of these latter individuals ended up at PRA International, however, further piqued our interest. All three had managed to sell off most of their stock just before or shortly after it was announced they would be leaving, but they all forfeited significant amounts of options and restricted shares.

The trading behavior and executive churn naturally led us to dig further into several accounting and fundamental items. Despite a reasonably solid balance sheet, we found ourselves intrigued with the Company's high dependence on Percentage of Completion (POC) accounting in its revenue stream. It was not the mere existence of this practice that caught our attention but the fact that just prior to Baddour's departure it was evident that its use had become more aggressive than in prior periods. Looking into Q1 (period ending 03/31/07) it is evident that although PPDI forecast numbers were hit, they did so in unexpected fashion as certain key areas actually lagged, such as Global Central Lab results which came in 21% short of forecasts for the period, not to mention higher than expected cancellations for the quarter which put PPDI's Phase I unit revenue behind forecasts.

With ample opportunities for recording out of period revenue combined with the manner in which the Company made its number last quarter, we are intrigued with the timing of the abrupt announcement of the CFO's "resignation", just two weeks after the Q1 release. Whether this registration was voluntary or not, we would not be surprised to see the Company try to pin the blame for any near term "adjustments" directly on Baddour. We anticipate that the next earnings release, scheduled for July 18th, could be quite interesting for this and several other reasons.

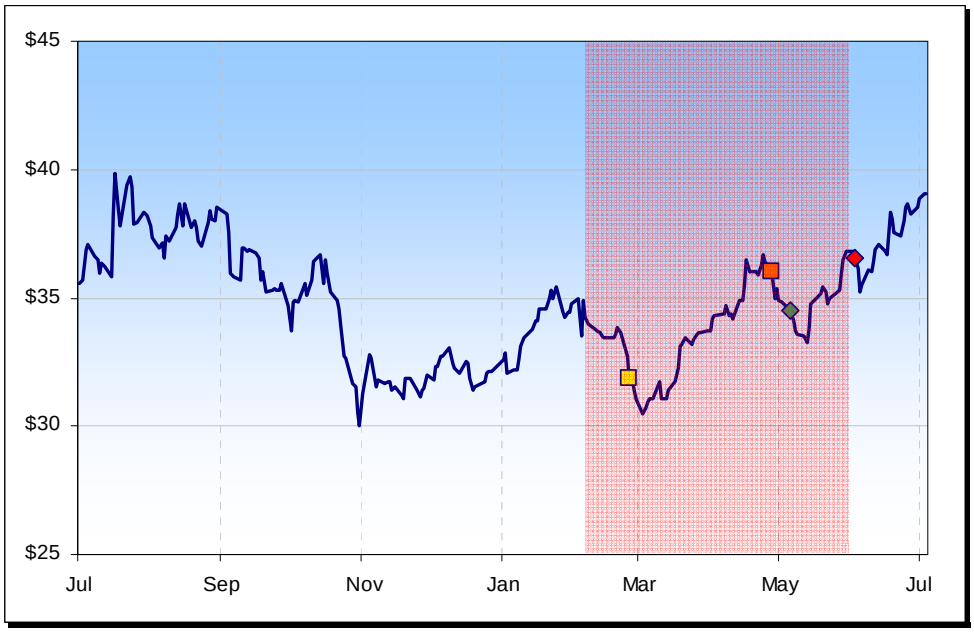
Governance: Timing of executive departures seems more than a coincidence

It is not often that we see a situation where two key executives leave for a competitor, forfeiting significant benefits that would have come from downstream vesting of both in-the-money options and restricted shares. Making the PPDI situation even more interesting is that it is unclear whether the two executives in question were forced out or were defecting for greener pastures. With regard to CFO Baddour, rarely have we seen an individual give up as much, by the timing of her exit, in exchange for a move that appears to be a sideways one at best.

Colin Shannon's departure was the first to be disclosed when, on February 27th, it was announced that he and the Company would not be renewing his employment contract, which was originally set to expire on August 15th. On May 8th, PRA International (a contract research organization, or CRO, like PPDI) announced that it had appointed Shannon as its President and COO. Just one week prior to Shannon's appointment at PRA, PPDI announced the resignation of CFO Baddour on April 30th.

Unlike Shannon, however, Baddour had signed a consulting agreement with PPDI which would allow her to remain on board, with full salary, until November 30th, which would have been just after options for 37,500 PPDI shares, exercisable at $21.19, were scheduled to vest. Instead of staying on, however, she opted, on June 5th, to jump to PRA International, where Shannon had recently landed. This effectively resulted in her ultimately forfeiting a total of 155,000 unvested PPDI options, which were in-the-money to the tune of $2.1 million (before taxes) and another 7,000 shares of restricted stock worth an additional $273,000 (again, before taxes). Making her decision more interesting is the fact that her move to PRA was basically a sideways one with her salary and bonus opportunity not dramatically increased from what she had at PPDI. Though PRA granted her options for 225,000 shares upon joining, they were issued at market price and need one year before they begin vesting. By that first vesting date, she would have had 75,000 now-forfeited PPDI options exercisable at $21.19. But there's more. She is not entitled to another equity grant from PRA until 2010. If Baddour's resignation was voluntary, tell us again, why the move?

Figure 1. PPDI Daily Closing Price, 07/03/06 through 07/06/07 (See below for symbol legend). Source: Reuters and PPDI SEC Filings and Press Releases.



It is somewhat evident that her move was anticipated at about the time that it was announced that Shannon would not have his contract renewed. We say this since just two weeks prior to Shannon's departure announcement, Baddour began aggressively selling off her stake of PPDI shares. Between February 9th and June 1st, she cleared out of 166,700 shares, or 95% of her actionable holdings (see Figure 1 above).

Though Shannon's move was admittedly more "upwardly mobile" (in terms of salary and bonus) than Baddour's the fact stands that he also forfeited much in the process: He forfeited unvested in-the-money options for 125,000 PPDI shares which were worth $3.1 million (before taxes). Though in return for this he was granted options for 250,000 shares of PRA stock, like Baddour's, they will vest over a seven year period, beginning one year out, at 37,500 per year. Like Baddour, he will not be eligible for another equity award until 2010. Shannon cleared out of 100% of his actionable PPDI holdings before leaving.

So, it would seem that where these two have landed may not be sitting well with PPDI. PRA, however, seems to have interesting expectations. Upon the hiring of Baddour, PRA issued a press release saying that during her tenure as PPDI's CFO, the company *"reported 25 consecutive quarters of financial results in line with guidance, greater than 20 percent revenue growth and industry-leading margins"*. [1] Needless to say, we were a bit surprised to see such a disclosure. As much as we suspect that PRA may be expecting the same magic, we equally wonder whether PPDI may be getting ready to empty the closet of past accounting-related skeletons, blaming Baddour in the process.

Accounting: More aggressive use of POC accounting in most recent quarter

PPDI's 1Q07 results were an interesting case of "winning ugly". With a number of key areas, such as Phase I and Global Central Lab, not hitting revenue targets, it would seem that PPDI pulled a rabbit out of the hat by exceeding its numbers in other areas. Top line growth has been slowing, sequentially, through the past three quarters and CEO **Fred Eshelman** found himself fending off a number of probing questions posed to him during the Q1 conference call. Here's one:

> **Analyst:** Fred, I wanted to touch first on Development Services revenue. You gave us some very good detail by piece of that business. As an overarching statement or question, is -- are delays or cancellations the primary issue relating to your -- or dampening your top line growth over the last couple of quarters? As I'm looking at the last three, each has been sequentially slower than the prior.
>
> **Fred Eshelman (CEO):** Well I think yes, we have had some program delays as we outlined. I think as well, any time we discuss revenue, particularly as it relates to consensus, we like to step back and have a look at what it actually was versus our internal target. And for Q1, for example, of '07, the revenue and revenue growth was almost spot on what we had forecast internally. So, we're fairly happy with that.
>
> I would also bring your attention obviously to the fact that we had, on a revenue basis, disappointing results in Q1 for the Global Central Lab and for Phase I; and so

[1] "PRA International Names Linda Baddour CFO", PRNewswire-First Call, June 5, 2007.

between the two of those we could've actually had a shortfall which we actually made up with higher-than-expected revenues in Phase II through IV. So as we continue to build the backlog and depending on where the average length of contract goes there, I'm not really struck that we would expect to fall out of our usual range for revenue growth going forward.

To this, we note that PPDI's unbilled receivables increased during that Q1 period by $35 million or 25%, to $176 million. This compares to an overall revenue increase of just $6 million for the period. Unbilled revenues during the period equaled 42% of total receivables, up from an average 35% from the prior two quarters. It's not difficult to envision a scenario where PPDI's internal forecasts, that Edelman spoke of, would have been hit because of the knowledge that unbilled receivables could be increased to cover certain shortfalls developing in other areas. It stands to reason that without that $35 million increase in unbilled receivables, PPDI would have experienced a revenue decrease of about $29 million for the period.

There was another related and equally awkward exchange during the same conference call. Since Q1 revenues were achieved in a somewhat unorthodox fashion, the supposition was raised that the Company's forecast was now rather back-loaded and now must see some momentum gain in the second half of the year. When asked how they intended to do this, Eshelman was able to dodge the question by virtue of a serendipitous event:

Analyst: Given that the Q1 2007 revenue was in line with your expectations that would imply that you are looking here for pretty big sequential increases in revenue over the next couple of quarters to get to your guidance range. Can you walk us through some of the factors or assumptions that are making that get you comfortable that you can indeed show that type of sequential improvement?

Eshelman: Well, obviously, when we -- sorry, when we do our modeling and forecasting, we take into account what is coming from backlog and how that will flow. And we also take into account how we expect these sales ramps going forward. Operator, I'm getting an echo here.

Operator: I believe it's coming from the line. Okay please continue.

Eshelman: I'm going to assume everyone was able to hear that. Did you get that?

Operator: I actually had to close his line, Doctor.

Eshelman: Oh, you did? Okay, well, unless we hear from him again, I will assume that everyone heard the answer to the question.

Pardon us, but this seems to be a situation that gives the phrase "Taken off the Hook" new meaning.

Insider Trading: While some executives depart, others reduce holdings

It seems that as Shannon and Baddour's fortunes began pointing in the direction of PRA International, other PPDI insiders continued and even accelerated their previously established pattern of diversification:

- **Paul Covington (50)*** – Executive V.P., Development. Covington established a pattern of ownership diversification in 2004 which he has carried out ever since. After owning roughly 180,000 shares and vested options just three years ago, he has since kept his PPDI exposure at a minimum, precluding any ownership growth. Most recently he exercised two option series on May 29th (expiration dates: December 2013 and November 2014) and immediately sold the acquired shares, plus a few thousand from his common holdings, en route to shedding 65% (40,084 shares) of his position at $35. He currently has only 24,000 actionable shares and options and will have another 25,000 become actionable in November and then 50,000 more in 2008 (see Appendix A). Although Covington is one of the longest-tenured remaining officers, and has been a top five highest compensated exec for the past five years, he is curiously left off the officer page of the Company website. That a contract research firm would not name its head of R&D seems quite odd.

- **Ernest Mario (68)** – Chairman. Mario and CEO Eshelman go back a long way, having together run Glaxo's U.S. subsidiary in the late '80s (Mario was CEO and Eshelman an SVP) and worked together, both at PPD and other start-ups, ever since. Although their PPD trading decisions have rarely coincided over the past ten years, they have both made significant sales this year. Between May 7th and May 23rd Mario sold 545,522 shares at $34 and $35, marking his largest historical round of sales. The sales wiped out roughly 35% of his position, which amounted to 1.3% of PPDI's outstanding shares. Mario has not always been just a seller, having spent $4.1 million between October 2001 and May 2002 to add 320,000 shares to his position. He would prove his acumen in 2005 by reversing those buys for pre-tax profits ranging between 70% and 150%. Judging from other opportune trades in the past, his activity is worthy of our attention.

- **Judd Hartman (44)** – General Counsel, Secretary. Hartman filed as a Section 16 insider upon joining the Company in July 2001 and prior to this year had sold a total of only 20,000 shares in 2005. On May 18th he exercised three option series, none of which was set to expire before December 2011, and sold all 40,500 shares (35% of ownership) at $34. Luckily for Hartman, the Compensation Committee rejected its independent compensation consulting firm's recommendation that PPDI adopt stock ownership guidelines, because Hartman has not picked up any common since joining the Company. He will have 20,000 options vest in November and then another 38,000 the following year (see Appendix A). We should also not that Hartman does not participate in the Employee Stock Purchase Plan under which eligible employees can purchase PPDI shares at a 10% discount to market.

- **Fredric Eshelman (58)*** – Vice Chairman, Chief Executive Officer. Despite his considerable ownership position, which has been in place for more than ten years, it was not until the past few years that Eshelman became a more active seller. After disposing of 800,000 shares in July 2005 at an average price of $29, and then 400,000 in May 2006 at $36, the Company issued a press release in January announcing his intent to sell 1 million shares through July under a prearranged stock

trading plan. Beginning in February, he has systematically sold 166,666 shares per month at prices ranging between $31 and $38. Following his last sales on July 2nd, he has now sold 916,666 shares and we expect the last few remaining shares to be sold by the middle of the month. In all, this year's 10b5-1 sales have covered roughly 10% of his position and he will continue to hold roughly 7% of PPDI's outstanding shares. Most of Eshelman's ownership is directly held common stock and he will gain access to another 208,000 shares (through vesting options) through November 2008 (see Appendix A).

* Indicates individual was a "Named Executive" in the Company's last proxy.

Fundamentals: Once viewed as source of growth, plans for Dapoxetine in doubt

As we look beyond the trading and accounting behaviors and the high-level executive turnover, one of the key areas we have started to focus on is the Company's Discovery Sciences segment, where there appears to be a number issues. Difficulties here, from where long-term, high-margin revenues are anticipated to drive future growth, are an important issue for the Company.

An arguably essential component for PPDI's future growth is the outlook for Dapoxetine, a short-acting Selective Serotonin Reuptake Inhibitor (SSRI) that the Company hopes will be approved for treatment of Premature Ejaculation (PE). Rights to this drug, first developed by Lilly, were sold to PPDI for $65 million. PPDI then out-licensed the drug to the then-private Alza, in 2001. Alza was subsequently acquired by J&J. Under the deal, Alza has the worldwide rights to develop and commercialize Dapoxetine and is responsible for all associated clinical, regulatory, manufacturing, sales and marketing costs. In exchange, PPDI received an undisclosed up-front payment of about $12 million or less (we have determined this from PPDI's SEC Form 10-K for the year 2001). In the event regulatory milestones are achieved PPDI is entitled to receive royalty and milestone payments, all tied to sales of the if-approved drug. By early accounts, Dapoxetine was expected to achieve sales of over $500 million annually but these expectations faded when, in late 2005, Alza received a non-approvable letter from the FDA concerning the drug.

J&J (read: Alza) has never disclosed the reasons given for the letter. We have however, found separate sources citing two different problems: First, Dapoxetine failed to demonstrate superiority to placebo[2]. A separate source, however, revealed a more ominous objection. "Dapoxetine has been demonstrated to be relatively effective in treating premature ejaculation when administered from 30 minutes to 4 hours before sexual activity. However, the sponsor of the drug had withdrawn its NDA application, in part due to potential tumor formation". This disclosure appears in Rexahn Pharmaceuticals SEC Form 10-K for the year ending 12/31/06.

Non-approvable letter aside, J&J has stated its intention to respond to the FDA's questions and has implied that it would continue its global development plans. The global plans presumably remain on track as both J&J and PPDI continue to disclose a likely late 2007 filing target for Europe. Recent statements by J&J management, however, seem to indicate that there may be a change in the U.S. strategy concerning

[2] "Lifestyle Modifications", by Susan Quallich in Red Obit, August 2006

Dapoxetine. In its 1Q07 conference call, J&J's IR director, **Louise Mehrotra** commented (regarding Dapoxetine): *"We remain on track with our '07 filing target in the EU. It is going to be a staged filing and we are still looking at the strategy in the U.S. We have not committed to a date on that one yet"*.

The "still looking at U.S. strategy" comment did not go unnoticed as it seemed an indication that J&J, who previously has disclosed that it had been responding to FDA's questions, now seemed to signal that things are up in the air. This was picked up in PPDI's Q1 conference call as well:

> **Analyst:** Also on the J&J call yesterday, the quote was that they were reviewing their strategy on Dapoxetine in the U.S. Is that a change and can you provide any incremental information around what they are thinking about now?
>
> **Fred Eshelman (CEO):** I don't have any information other than what they presented in the call with reference to the United States. So we will watch and wait the same as you guys.
>
> **Analyst:** So, based on their public comments, was that a change from what they had said publicly before, as opposed to basically looking to re-file at some point?
>
> **Fred Eshelman:** I don't know that I would care to comment on their public statements. I guess I would have to refer you to them.

Whether or not PPDI management truly is not aware of J&J's plans for Dapoxetine in the U.S, and whether they have changed, remains to be seen. What we do know is that there are some interesting arguments out there concerning whether Dapoxetine should be approved for PE.

In September of 2006, J&J sponsored a study on the benefits of Dapoxetine as a treatment for PE. The results were published in the journal *Lancet* in September of 2006 in an article entitled, "Efficacy and tolerability of Dapoxetine in treatment of premature ejaculation: an integrated analysis of two double-blind, randomized controlled trials". This study found positive results but it has since been cited that the authors may have been less than objective. Several of the study's authors served as consultants for J&J, two said they were Alza employees and two, including lead author Dr. Pryor, reported having served on advisory boards for Alza.

Subsequent correspondence in *Lancet*, responding to the study, have questioned the statistical validity of the J&J sponsored study suggesting instead that the effects of Dapoxetine were very minor when compared to the placebo group ("Dapoxetine treatment of premature ejaculation" by Marcel D. Waldinger, Dave H. Schweitzer and Berend Olivier). The response states: "If ever approved by the regulatory authorities, whether the minor delaying effects of Dapoxetine can compete with its (sometimes serious) adverse effects is questionable."

The FDA may very well be concerned with the need for this drug, yet-another SSRI. Dapoxetine would be added to the long list of SSRI's on the market including fluoxetine, paroxetine, sertraline, fluvoxamine, citalopram and escitalopram (read: Prozac, Zoloft, Paxil, Luvox, Celexa and Lexapro, respectively). Though it can be

argued that the short-life properties, for on-demand use, of Dapoxetine make it suitable for treatment of PE, other arguments have come into play against such consideration: In another Dapoxetine-related correspondence in *Lancet*, submitted by Raimo KR Salokangas, he suggests that the J&J study which admittedly spoke of short-term adverse effects during the trial period, such as nausea, diarrhea, headache and dizziness, failed to address the potential long-term effects connected with the regular use, then withdrawal of an SSRI.

> **"What are the possible effects of repetitive administration of a highly potent SSRI compound? There is some evidence that SSRI drugs can induce bipolar disorder if the patient is not taking mood stabilizers….Pryor and colleagues suggest that the underlying pathophysiology of premature ejaculation is related to diminished serotonergic neurotransmission through pathways that control ejaculation. Psychopharmacological studies suggest that depression might also be related to diminished serotonergic neurotransmission. Thus, what is the expected effect of SSRI drugs in a man who has for years used dapoxetine for treatment of premature ejaculation and now falls into depression?"**

Even should Dapoxetine eventually find its way through the approval process, questions will remain concerning its performance in the marketplace. It has been argued that since other SSRI's will probably work as well that even should Dapoxetine come to market with FDA approval, it will have more of a marketing advantage than a significant medical advantage. Given this, will the PBM formularies be keen to include Dapoxetine into their mix?

Rexahn Pharmaceuticals, mentioned above, among others, is developing a short-life SSRI to treat PE. All such efforts have been keeping a weather eye out for developments surrounding J&J's decisions as to what they intend to do next with Dapoxetine. At least one company, Indevus Pharmaceuticals, has discontinued its efforts developing its own drug in this area, pagoclone, as a result of its findings:

> **"In September 2006, we elected to perform an interim analysis following a publication in the journal Lancet of studies of the investigational drug dapoxetine in PE. Based on the high placebo response in the dapoxetine trials, we believed that the pagoclone PE trial might have an inadequate sample size to detect an effect when compared to placebo, and therefore might need to be increased. The interim analysis revealed only a slight effect at the highest dose tested. Given the modest effect, it was unlikely that the completed trial would meet its clinical and statistical objectives. Accordingly, the study was discontinued and no further work on pagoclone for PE is currently planned. "**

<u>Fundamentals: Other setbacks in Discovery Sciences segment</u>

Dapoxetine is not the only drug with a cloudy future. Though PPDI would not characterize it in this fashion, it just strikes us that the Company's Discovery Sciences segment seems to have had more than its share of setbacks in recent years. Though in theory the margins should be attractive here, in the end, PPDI finds itself, in too many cases, ultimately cutting longer term cash flow opportunities short in favor of up-front

cash payments. To be fair, not all of these decisions are driven by PPDI. But in many cases, instead of being the owner of a developed drug going to market as originally envisioned, PPDI has found its role evolving back towards that of a service provider with less favorable economics. Though this is not the issue with Dapoxetine at this point, it has shown to be such in others. Briefly, here are just two examples:

DPP4 Inhibitors: In 2003, PPDI made a $25 million equity investment in Syrrx Inc., a privately held drug discovery company and then entered into a collaboration agreement to develop Syrrx's DPP4 inhibitors to treat Type II diabetes. In March of 2005, however, Takeda Pharmaceuticals acquired Syrrx and PPDI was paid $25 million for its equity investment. Four months later, Takeda "acquired the development and commercialization rights to all DPP4 inhibitors previously granted to us under the collaboration agreement between PPDI and Syrrx". The new deal amounted in a $15 million payment to PPDI with additional milestone payments and royalties. And PPDI will serve as the sole provider of clinical and bio-analytical services to Takeda for Phase II and Phase III trials of DPP4 inhibitors conducted in the United States and Europe. So, Takeda managed to step in, acquire Syrrx and wrestle PPDI out of its $25 million, two year investment for no return, relegating PPDI back to its traditional role as a provider of services in the process.

Accentia Biopharmaceuticals: Another interesting fizz out may have been Accentia Biopharmaceuticals, a specialty pharmaceutical company focused on the development and commercialization of late-stage clinical products in the areas of respiratory disease and oncology. PPDI bought Accentia's Series E preferred for $5 million in 2004. They then entered into a royalty stream agreement for $2.5 million with Accentia based on a percentage of net sales of specified products. Their agreement was amended and PPDI agreed to provide specified clinical development services to Accentia in connection with the Phase III trial for SinuNase, in exchange for which Accentia agreed to pay PPDI 7% of the net sales of specified SinuNase products if approved for sale by the FDA. Under the provisions of the new agreement, either party had the option to terminate the provisions of the deal related to PPDI's obligation to provide clinical development services at any time before 12/31/06. Accentia jumped through the loophole, terminating the provisions requiring PPDI to provide clinical development services on December 28. PPDI continues to hold 12.7% of Accentia and recently has indicated that it has unrealized losses on that position of $1.2 million in Q1.

Things are not going so well at Accentia. It had to default on a promissory note of $7.8 million, owed to Laurus Master Fund, Ltd., dated 03/31/06 and had to ask the lender to forbear while the Company seeks additional financing. On March 28, 2007, Accentia filed an SEC Form 8-K that it had "closed a short-term loan transaction in order to fund its operations on an interim basis while the Company continued to seek additional short and/or long term funding from third parties."

Appendix A

Option and Restricted Stock Vesting Schedules for Selected Pharmaceutical Product Development, 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
Paul Covington, Executive V.P.-Development. Common stock holdings: 9,042 shares								
11/16/04	Options	100,000	$21.19	11/16/05	11/15/14	50,000	50,000	11/16/07, 11/16/08
02/22/06	Options	40,000	$34.62	02/22/07	02/21/16	40,000	26,667	02/22/08, 02/22/09
02/21/07	Options	30,000	$33.61	02/21/08	02/20/17	30,000	30,000	02/21/08, 02/21/09, 02/21/10
Fredric Eshelman, Vice Chairman, Chief Executive Officer. Common stock holdings: 8,433,960 shares								
12/03/02	Options	120,000	$14.95	12/03/02	12/02/12	40,000	0	Fully Vested
12/03/03	Options	120,000	$15.30	12/03/04	12/02/13	120,000	0	Fully Vested
11/16/04	Options	250,000	$21.19	11/16/05	11/15/14	250,000	125,000	11/16/07, 11/16/08
02/22/06	Options	200,000	$34.62	02/22/07	02/21/16	200,000	133,334	02/22/08, 02/22/09
02/21/07	Options	50,000	$33.61	02/21/08	02/20/17	50,000	50,000	02/21/08, 02/21/09, 02/21/10
Judd Hartman, General Counsel, Secretary. Common stock holdings: 0 shares								
12/03/03	Options	30,000	$15.30	12/03/04	12/02/13	20,000	0	Fully Vested
11/16/04	Options	80,000	$21.19	11/16/05	11/15/14	80,000	40,000	11/16/07, 11/16/08
02/22/06	Options	40,000	$34.62	02/22/07	02/21/16	40,000	26,667	02/22/08, 02/22/09
02/21/07	Options	15,000	$33.61	02/21/08	02/20/17	15,000	15,000	02/21/08, 02/21/09, 02/21/10
Ernest Mario, Director. Common stock holdings: 863,077 shares								
05/13/98	Options	16,000	$5.97	05/13/98	05/12/08	16,000	0	Fully Vested
05/12/99	Options	16,000	$6.25	05/12/99	05/11/09	16,000	0	Fully Vested
05/15/01	Options	8,000	$15.82	05/15/01	05/14/11	8,000	0	Fully Vested
05/15/02	Options	12,000	$12.81	05/15/02	05/14/12	12,000	0	Fully Vested
05/14/03	Options	16,000	$13.58	05/14/03	05/13/13	16,000	0	Fully Vested
05/19/04	Options	16,000	$15.06	05/19/04	05/18/14	16,000	0	Fully Vested
05/18/05	Options	5,458	$23.79	05/18/05	05/17/15	5,458	0	Fully Vested
05/17/06	Options	3,973	$35.38	05/17/06	05/16/16	3,973	0	Fully Vested
05/16/07	Options	6,126	$33.82	05/16/07	05/15/17	6,126	0	Fully Vested
Cathy Klema, Director. Common stock holdings: 7,215 shares								
05/14/03	Options	16,000	$13.58	05/14/03	05/13/13	16,000	0	Fully Vested

Appendix A

Option and Restricted Stock Vesting Schedules for Selected Pharmaceutical Product Development, 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
05/19/04	Options	16,000	$15.06	05/19/04	05/18/14	16,000	0	Fully Vested
05/18/05	Options	5,458	$23.79	05/18/05	05/17/15	5,458	0	Fully Vested
05/17/06	Options	3,973	$35.38	05/17/06	05/16/16	3,973	0	Fully Vested
05/16/07	Options	6,126	$33.82	05/16/07	05/15/17	6,126	0	Fully Vested