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

- Bradley Pharmaceuticals, Inc. (NYSE: BDY) ⬆
- Bunge Limited (NYSE:BG)
- Forest Laboratories Inc. (NYSE:FRX)
- Knoll Inc. (NYSE: KNL)
- Matthews International Corp. (NASDAQ: MATW)
- Molex, Inc. (NASDAQ: MOLX)
- NVR, Inc. (AMEX: NVR)
- Schering-Plough Corp. (NYSE: SGP)

3DAdvisors Research Notes

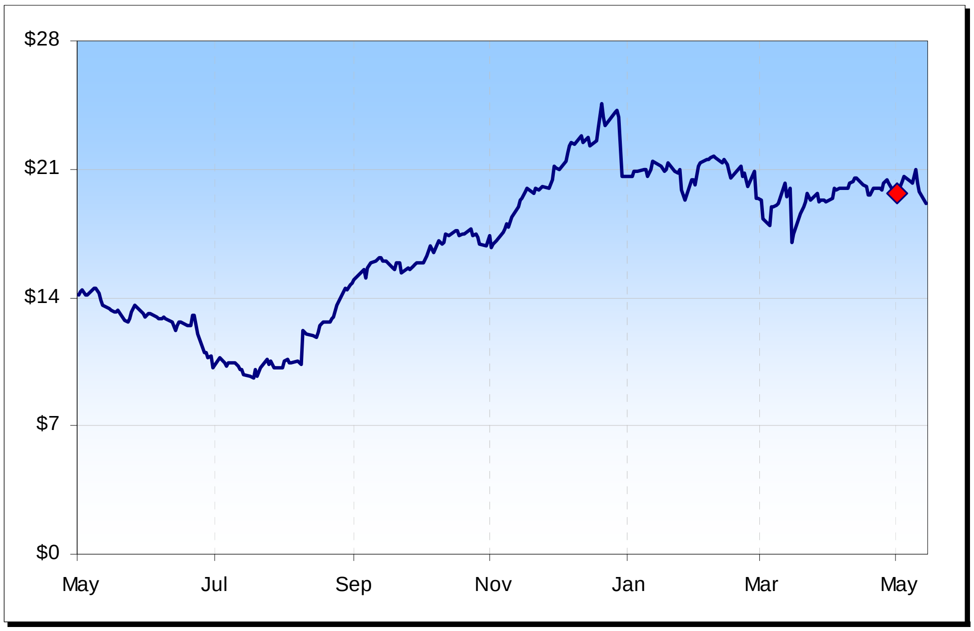
Bradley Pharmaceuticals, Inc. (NYSE: BDY) ⬆

- We continue to monitor a somewhat expected acceleration of insider profit taking within the pharmaceutical industry as many drug companies have staged impressive year-long advances, as evidenced by the 20% gain in the Dow Jones Pharmaceutical Index. Although a majority of the selling has been reasonable, we have identified a few situations we feel warrant the immediate attention of our clients, namely Forest Laboratories (NYSE: FRX) and Adams Respiratory Therapeutics (NASDAQ: ARXT). With the large volume of insider selling regularly crossing the wire, a very subtle bullish behavior at small cap dermatologic and podiatric drug developer Bradley Pharmaceuticals has managed to go unnoticed.

- On April 30th, Bradley's founder, president and chief executive **Daniel Glassman** (64) contributed 704,469 shares, or 40% of his ownership, into a Grantor Retained Annuity Trust (GRAT). His wife, a former board member, is named as the sole trustee. For the past three years Glassman has stockpiled common stock through the exercise of his options and retention of the underlying shares. He has spent $5.4

million to convert nearly all his derivative equity, 1.03 million options, to common without turning in any shares to cover his costs and now has used the majority of those shares to fund the GRAT. For any of our clients not familiar with the purpose or implications of GRATs, please refer to the 3D report titled Long Ideas: Grantor Retained Annuity Trusts dated August 2, 2006. Suffice it to say, the purpose of a GRAT is to pass on any appreciation (in excess of an IRS-established hurdle rate) in its assets to the beneficiaries, tax free. We are most interested when a controlling shareholder acts in this fashion for not only does that person expect to see appreciation in the shares placed in the GRAT, but there is also a low likelihood of negative catalysts on the horizon.

Figure 1. BDY Daily Closing Price, 05/01/06 through 05/14/07. Red diamond is that date that President, CEO Daniel Glassman contributed 40% of his ownership to a GRAT. Source: Reuters and BDY SEC Filings.



- The timing of Glassman's contribution is very compelling as investors have been turned off by the Company's fourth quarter earnings report issued on March 14th. Although sales narrowly exceeded expectations, earnings missed the mark by a troubling margin and the shares received a 15% haircut, falling from $20 to $17. Rather than immediately establish the trust on the weakness, which would have afforded his beneficiaries higher tax-free returns, Glassman waited until the shares recouped the losses, climbing back to the $20 range. Following his trade, the Company reported first quarter earnings on May 10th that were exponentially higher, but again fell short of the consensus. The issue came under pressure once again but closed the week down only 3.6%.

- It is important to recognize these were not blatant open market buys intended to placate investors. His obscure actions were devised for the benefit of his family and indicate his expectation for upside from the current levels. Based on the returns of other GRAT situations we have observed over the past two years, we are compelled to pay close attention. The table below lists the five companies with GRAT activity that we have covered and their returns after the GRAT contribution dates.

Company	Ticker	Avg. Return[1] From Date of GRAT	Dow Avg. Return[2] From Date of GRAT
ADTRAN Inc.	ADTN	27%	11%
Heartland Express Inc.	HTLD	19%	15%
EchoStar Comm. Corp.	DISH	41%	16%
Total Systems Svcs. Inc.	TSS	35%	10%
Synovus Financial	SNV	9%	10%

[1] This is the % change in price between the date a GRAT was entered into, and the closing price on 05/14/07. If more than one GRAT was entered into, it is the average % change in prices between the various GRAT dates and the closing price on 05/14/07.

[2] This is the % change in the DJIA between the date a GRAT was entered into and the DJIA on 05/14/07.

- As we were working on this report Bradley disclosed[1] the abrupt resignation of non-executive chairman **Leonard Jacob** (57), who was originally elected to the board in February 2006. Jacob submitted a terse letter to the Company expressing his frustration with "ongoing governance concerns", which the Company defined as "the relationship between the Chief Executive [Glassman] and the Board of Directors and its impact on corporate governance matters". Interestingly, Jacob did not seem at all distressed when he commented a few months earlier, "The entire Board and I are united in support of Dan Glassman's management, leadership and strategic vision for the Company", or when he spent $19,000 on March 30th to buy Bradley shares on the open market. He has been temporarily replaced by board member **Seth Hamot**, who, for those familiar with Bradley, is recognized for having staged a fierce proxy fight against the Company last year.

- The Board claims to have identified all governance weaknesses and has implemented multiple courses of action along with a defined timetable to complete the remedies. If former director Jacob's allegations that Glassman holds too much power are accurate, this only makes the GRAT story more compelling. With a 13% ownership stake and the apparent ability to exert significant control over the Company, Glassman's future plans may be worth monitoring.

[1] "Bradley Pharmaceuticals Announces Resignation of Dr. Leonard S. Jacobs As Non-Executive Chair, Appointment of Seth W. Hamot as Interim Non-Executive Chair", BusinessWire-FirstCall, May 8, 2007. The information can also be found in an SEC 8-K filed on the same day.

Bunge Limited (NYSE:BG)

- New disclosures about Brazilian farmer advances: Bunge's advances to farmers were at $864 million at 03/31/07 vs. $866 million at 12/31/06. The difference though, is that $559 million, or 65% of those advances are listed as "current" as of 03/31/07 versus 70% which were current as of 12/31/06. In its recent Q1 SEC Form 10-Q, Bunge also discloses, for the first time, interesting detail about its $301 million farmer advances that it considers "long term". For instance, $58 million, or about 20%, of its long-term advances were "renegotiated from their original terms" due to crop failures. More importantly, another 41% of Bunge's long term advances, or $123 million, are related to situations where the Company "has initiated legal action to collect the outstanding balance." Collecting such balances under Brazil's legal system is a long-term prospect at best as foreclosing on land can take up to 10 years. Not to mention the fact that this is the country whose president recently broke the patent on an AIDS drug made by Merck warning that, "People shouldn't be able to get rich through the misfortune of others." It would seem, given the political climate, that Bunge's chances of foreclosure on any collateral (farmers' land) is slim to none.

- Interest Income looks increasingly suspect: In spite of the growing level of long term advances that may be uncollectible, Bunge relied rather heavily on their related booked interest in Q1. Interest earned on such financing arrangements amounted to $17 million for first quarter of 2007. This statistic becomes quite significant when compared with the fact that, for the entire year of 2006, Bunge had only reported earning $24 million.

- Fertilizer Accounts Receivable continue to be troublesome: Such receivables moved up to $764 million as of 3/31/07 vs. $746 million as of 12/31/06, but Bunge did move its allowance on these up to 20% of the related receivables in Q1 from 19% at year-end. Bunge touts lower bad debt expense in its recent quarter but one wonders if it is simply because they are not recognizing the worthlessness of some of those receivables.

- Credibility issues with insider behavior: At the time of our previous notes, the fact was not lost on us that key Bunge insiders, including suddenly-departing CFO, **William Wells**, along with Chief Personnel Officer, **Flavio Sa Carvalho**, Comptroller **T.K. Chopra** and Co-CEO, Global Agribusiness **Archbald Gwathmey** had all trimmed uncharacteristically large portions of their holdings just prior to the Company's sudden and unexpected announcement that it would miss its Q1 numbers and report "near breakeven" earnings, far below the $0.75 per share expected. The explanation for the miss -- mark-to-market losses in Bunge's Agribusiness segment -- only served to raise eyebrows as, clearly, the selling insiders must have had knowledge of the looming problem. This goes especially for CFO Wells who not only jumped ship but also sold his entire Bunge position. Interestingly, when asked about this during the conference call, CEO **Alberto Weisser**'s answer was to cite the 10b5-1 camouflage, never mind the fact that Wells had sold all he could in a short time frame.

  Analyst: Bill, he was able to sell some stock, or I guess he had to sell some stock just dealing with options. But he had to know there was some kind of a bad hedge going in place. How was he able to sell stock knowing there was going to be mark-to-market losses?

Alberto Weisser: Bill announced that he was leaving around February 8, if I'm not mistaken. And at that time, if you leave it is very clear that, especially on the options with our plan, once you leave you have to sell them or they are forfeited. And so at that time he took the decision to sell most of it, and if there were sales in February, it was under the 10b5 Plan, so I think we feel that this was all proper.

It would seem that this question, and its sidestepping response, is evidence of further credibility erosion from the sell-side vantage point. There's more:

- Credibility of reporting behavior questioned: During the call a sell-side participant admonished Weisser for Bunge's cherry-picking disclosure practices: ***"I just feel like we only get these numbers when they work against you and you want us to kind of add back to look at operations. We really need some kind of balanced reporting from you just to get a gauge of underlying fundamentals."***

- Bunge consistently explains its mark-to-market problem as being one of physical cash prices for soybeans not nearing futures prices which were driven higher by anticipated bio-fuel demand. When asked about the eventual convergence of this anomaly, and when unrealized losses would take place, once the unprofitable hedges are unwound, Weisser estimates that this would occur during the next six months. The same analyst then raised the issue that these problems had not surfaced at Cargill or ADM, raising his curiosity as to how Bunge approached its business versus the Company's competitors. Again, Weisser sidesteps the issue, only explaining that "we think that most of the commercials are in the same situation as we are." Yet Cargill and ADM have not had similar mark-to-market losses.

<u>Forest Laboratories Inc. (NYSE:FRX)</u>

- Forest raised its Lexapro price by 6% in March and increased related rebates by only 1/2%. This raised questions, during the Q1 conference call, as to whether PBM's would be willing to accept such an increase without more substantial rebate incentives. To this, Forest claims it does not feel the pressure to increase its related rebating strategy and says it expects a 9 to 10% growth for Lexapro sales over the prior year. To get there, FRX projects a prescription volume growth of 3% with a market share gain of 10 basis points. Of course, the 6% price increase is the most important driver here. After conceding that Lexapro's market share declined some in Q4, contrary to expectations, the current year's projected increase in share of just 10 basis points seems hardly what was expected in the wake of Zoloft coming off patent and generics hitting the market. Previously, management's expectations for market share increase had been between 25 and 50 basis points.

- Though they remain anonymous, it is clear to us that one, or more, large holders of Cypress Bioscience have hedged their CYPB holdings ahead of expected results from the third Phase III trial of Milnacipran for the treatment of Fibromyalgia Syndrome (FMS). Milnacipran is being developed by Cypress in collaboration with Forest Labs and is considered one of Forest's important pipeline drugs on the near horizon. The details of the hedging transactions are found in Form 4 filings concerning CYPB filed in the name of Morgan Stanley. The filings reveal multiple pairings of derivative transactions clearly designed to hedge possibly expected volatility in a large block (more than 10%) of CYPB shares. The bulk of these derivative transactions were entered into in early May and expire in mid June, around the time when the latest Phase III results are to be revealed. In the process of these transactions, Morgan Stanley has established a long position in CYPB of over 637,000 shares and a long-call option position of almost 3 million shares, which are complexly hedged. The question remains: Who is on the other side of the almost 3 million call option transaction? The most recent transaction by Morgan was to write calls, expiring on June 16th, to sell 1.5 million shares of CYPB at $7.50 each. Premiums taken in from the transactions were $3.35 per contract. Morgan has since placed CYPB on its RR's "do not solicit" list. There is no indication of who the counter party is to these transactions. What is evident though is that this entity could be one, or more of the large holders in CYPB shares. We are still sorting out to understand what may be behind these rather intricate transactions. Please contact us for more details. For now, suffice it to say that there is a distinct possibility that some large holder, being concerned about delays in this joint collaboration with Forest, may have hedged its bet, pushing its expectation for the ultimate outcome for this latest Milnacipran trial down the road, a delay, we must add, which would cause some stress for Forest shareholders who are increasingly anxious about the Company's ability to replace drugs coming off patent protection in coming years.

- Benicar's Q1 numbers showed improvement over Q4 when it appeared as if they were running out of steam. During Q1, Benicar generated $45.9 million of earnings, up from $39 million the prior sequential period with sales of $175 million vs. $163 million the prior period. Still, it appears as if Forest may be hedging its bets here. We say this because of comments from sell-side analysts to the effect that Company guidance, with regards to Benicar, given in the Q1 release looked light. Given this, Forest acknowledges that its Benicar margins "bounce around a little bit, based on what's the marketing investment that we are putting in for any given quarter." Having said this, Forest CFO **Francis Perier** reminds investors that 2007 is the final year of Forest's co-promotion agreement in its current form. After 2007, Forest's profit share of Benicar drops to about 25% of the profit by 2014, stepping down each year. Without a revised deal with Daiichi Sankyo, it seems that Forest will be reassigning sales reps from Benicar to other initiatives as management has stated that its guidance for 2007 does not include expansion of its sales force.

Knoll, Inc. (NYSE: KNL)

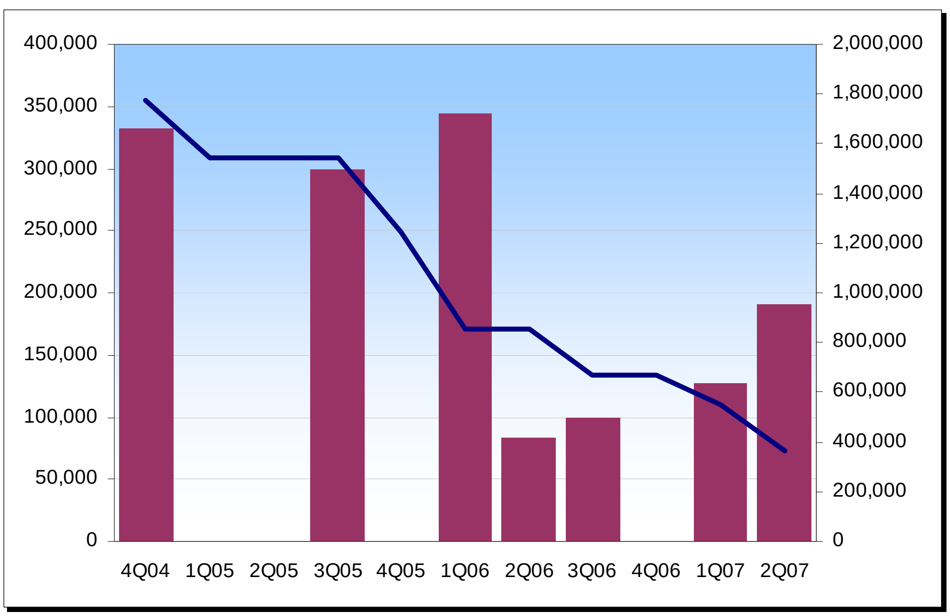
- Last Friday, May 11th we posted our findings on office furniture manufacturer Knoll Inc. The full 3D report underscored a variety of earnings quality and governance risks, while updating the framework of insider activity we have monitored since January. Sometimes the old adage "timing is everything" really is appropriate, as just hours after we published our KNL report, Chairman **Burton Staniar** (65) filed three Form 4s disclosing his sale of 201,156 shares between May 9th and May 11th at $24. Those familiar with Staniar know the sentimental ties he has to the Company. After becoming chairman and chief executive in 1993, he helped lead Knoll's successful turnaround in the mid-1990s, the LBO purchase from Westinghouse, the subsequent 1997 IPO, and then second Warburg Pincus LBO and subsequent

December 2004 offering. His attachment to the Company leaves us wondering why he has been so eager to *detach* himself from the stock.

- In addition to selling into the Company's 2004 IPO and two 2006 secondary offerings, Staniar has also taken profits immediately upon the expiration of the lock-up periods associated with offerings. Taking into account the shares just sold in May, he has now sold 1.48 million shares since the IPO, or **nearly 80% of his actionable holdings** and his direct ownership of 1.4 million outright shares just two years ago now stands at just 52,000.

- As a brief refresher, five of the Company's top six executives, Staniar included, have now sold nearly 70% of their collective ownership since the IPO. Their behavior has coincided with Warburg's liquidation of its entire 42 million share position. Adding to our interest in these recent Knoll sales, are the methods by which those involved exploited loose lock-up requirements and in one case, tiptoed outside an ongoing personal sales plan by using derivative contracts to monetize additional shares. The selling, which has been anything but routine, continues to emerge as the office furniture market begins to show signs of softening. And now, as we highlighted in a May 3, 2007 Insider Research Bulletin, insiders at competitor Steelcase, Inc. (NYSE: SCS) are now also locking in profits. With the inconsistent forecasts provided by industry managers, we feel the insider actions may be the most reliable gauge of industry performance over the next couple of quarters.

Figure 2. Shares Sold by Quarter by Burton Staniar (Red Bars and Left Scale) and Actionable Ownership (Blue Line and Right Scale). Source: KNL SEC Filings.



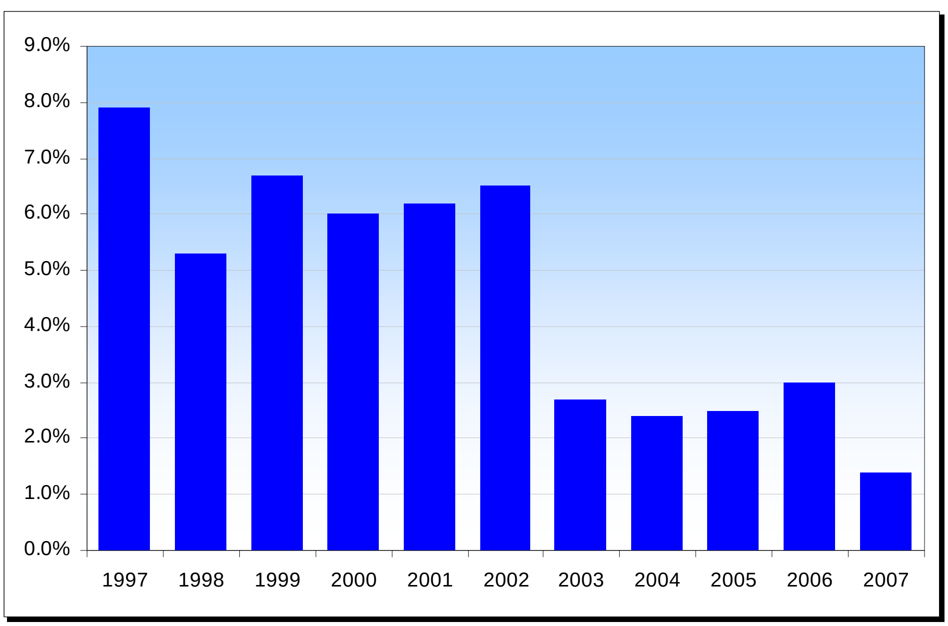
Matthews International Corp. (NASDAQ: MATW)

- It might sound morbid, but the "death" business has certainly been profitable for Matthews International, maker of caskets, cremation products, and cast bronze memorials. The Company recently reported strong top (+12.1%) and bottom line (+11.5%) growth for its fiscal Q2 (period ended March 31st) and the shares currently trade just a fraction below their all-time high of $44. But we are now seeing unmistakable signals from management that give us the impression the price momentum might be nearing an end.

- For one, President, Chief Executive **Joseph Bartolacci** (46) has provided very cautious guidance for the remainder of the year. After saying he was "particularly pleased with the performance in our casket business" back in January, he sounded less inspired in April when he commented that "near-term visibility is more difficult due to the current challenges in our casket business". Looking over the recent SEC Form 10-Q, it seems that issues run deeper than just the casket operations. There were actually warning signs before the April 19th earnings release as Bartolacci and CFO **Steven Nicola** (46) executed their largest sales in five years, selling 55% and 25% of their holdings, respectively in January.

- Following the brief price volatility that resulted from the Company's bearish fiscal Q3 guidance, MATW shares spiked 13% the following week on news that the Company had increased its share repurchase program and was also added to the S&P Mid-Cap 400 Index. Though CEO Bartolacci partly attributed the buyback decision to the stock's valuation, it is apparent not all in the MATW hierarchy believe the issue is cheap. Immediately after the shares recovered to the $41 to $42 price range on April 25th Chairman **David Kelly** (64) and Vice Chairman **David DeCarlo** (61), former execs and the Company's two largest inside shareholders, each sold 70% of his ownership. After collectively owning 1.5 million shares less than five years ago, they now jointly hold fewer than 200,000 shares. To recap, Kelly, DeCarlo and Bartolacci, who make up the Office of the Chairman, have sold 50% to 70% of their ownership year-to-date.

Figure 3. Annual Beneficial Ownership of MATW International Executives and Directors as Percent of Total Shares Outstanding. Source: MATW SEC Filings.



- Due to the insider diversification this year, the current ownership of Matthews' executives and directors is quite suspect. Only one of the Company's five independent directors currently has actionable ownership greater than 5,000 shares, while two of the five named executives currently hold neither stock nor vested options. As Figure 3 above illustrates, the Section 16 insiders now collectively hold just 1.4% of the outstanding stock, well below the ten year average of 5%. Although we point out this trend as a complement to the insider profile, the focus should be on the acceleration of profit taking before and after the Company let it be known that challenging market conditions lie ahead.

<u>Molex, Inc. (NASDAQ: MOLX)</u>

- Following three consecutive quarters of earnings and/or sales misses, and with the shares trading more than 30% off the 52-week high, we would hardly expect to see insider selling at electronics parts manufacturer Molex. Not only has there been such activity at the lows, but executives doing so have skimmed options, sold material percentages of their ownership, and even adopted personal sales plans to continue selling at the depressed levels. We should add that we have begun to analyze an acceleration of sales at Molex's principal competitor Amphenol Corp. (NYSE: APH), whose shares have outpaced MOLX by more than 40% in the past year.

- First to catch our eye were the April 23rd to April 25th sales of named executive **Robert Mahoney** (53), president of the Far East South region (which accounted for 33% of 2006 revenues), who liquidated 55% of his ownership just days after the Company warned fiscal Q4 earnings could fall short of expectations. Clearly, the reduction jumped out at us but even more suggestive was the fact that he had exercised five different option series in the process (expiration dates: July 2009 to October 2013) with strike prices between $22.28 and $25.99; the shares were then sold for prices less than $27 each. We were immediately suspicious and rightfully so, as on May 4th he submitted his resignation. Often we would discount the option skimming in a resignation situation as a departing insider may have a small window with which to monetize his options. Not so in this case, however. Mahoney will not officially leave Molex until October 31st to assist in the transition, which not only extends the life of his vested options, but also extends his employment so that he vests in an additional 120,000 options and "stock bonus" shares. Accordingly, he still had at least six months to act on these pricier options if he believed he could squeeze additional profits out of them.

- Two other sellers, who oversee different global operations, were Vice President **Katsumi Hirokawa** (Japan) and **Graham Brock**, president of the Europe division. Both execs have typically held their options until they near the expiration dates, but recently have shown less patience. Hirokawa tapped into four series, not set to expire for 12 to 37 months, to sell 18,750 shares (35% of holdings) on April 24th at $26. His only prior sale occurred exactly one year ago at 40% higher prices. Likewise, Brock's two sales this year (February 1st and May 1st) covering a total of 7,000 shares (30% of holdings) were executed at $26, significantly lower than his April 2006 exit price of $37. The options he exercised were not set to expire for at least a year.

- Rounding out the activity are the 10b5-1 plan adoptions and sales by three controlling “Krehbiel Family” members. On February 15th, just weeks after already under-pressure Molex shares set a new low in January, and after the Company narrowed fiscal Q2 earnings and sales guidance, Co-Chairmen and brothers **Frederick A. Krehbiel** (65) and **John Krehbiel Jr.** (69), plus John’s son, **Fred L. Krehbiel** (41), a board member and division president, simultaneously adopted sales plans. Their plans call for sales of $2.5 million, $2.0 million, and $0.5 million of stock each month through December or January and each has already sold the maximum in the first two months.

Figure 4. MOLX Daily Closing Price, 05/01/06 through 05/14/07. Red diamond is the date where three members of the Krehbiel family adopted 10b5-1 plans. Source: Reuters and MOLX SEC Filings.

- A few points of interest regarding their plans: John Krehbiel so far has managed to sneak in another $800,000 worth of family trust shares not reported in the corporate press release disclosing their intentions[2]. Additionally, Fred A. Krehbiel is now trading under his third plan in less than two years after having accepted richer prices for the 578,000 shares sold last year. Though the Krehbiel family still holds a controlling interest in the Company, these sales emphasize the growing trend of MOLX insiders who are getting out of their shares at prices well below highs.

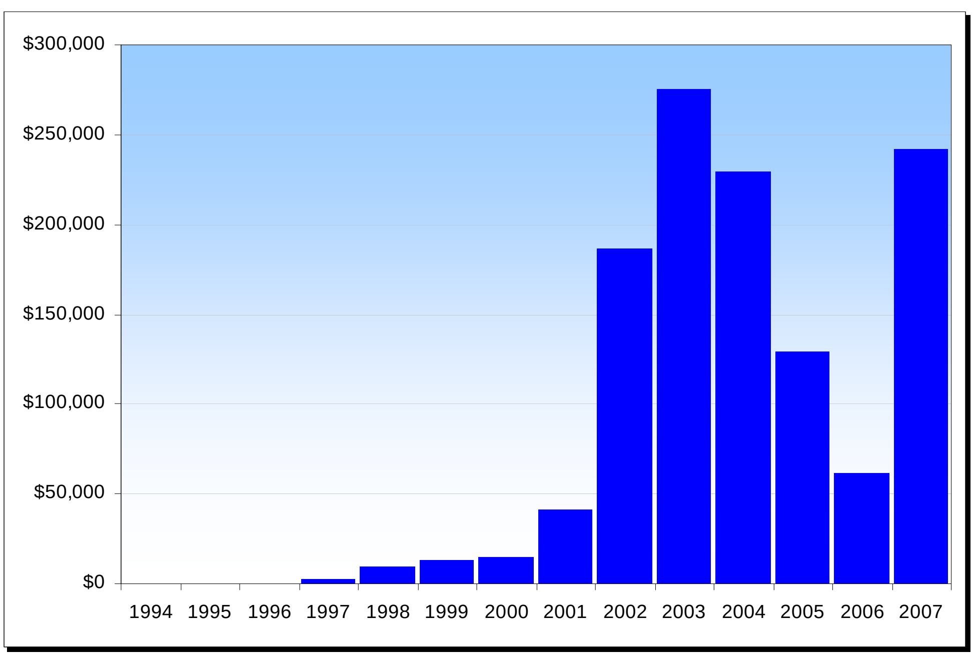
[2] “Molex Co-Chairmen Adopt Rule 10b5-1 Trading Plans,” BusinessWire-FirstCall, February 15, 2007.

NVR, Inc. (AMEX: NVR)

- With the recent reemergence of unfounded headlines such as "Home Builders Tick Up: Is A Bottom At Hand?" [3] and "Time To Buy Homebuilders?" [4] we contend those best equipped to finally call the housing bottom will be the industry insiders themselves. Many observers have ignored the very candid market forecasts given by homebuilder execs, and to no lesser extent, have disregarded the cautionary symptom of the episodic insider profit taking. (See the table below for a comprehensive list of housing names we have covered in the past year and links to the individual reports). A new addition to this list is NVR, a company whose shares have managed to find some relief in the worst industry correction in decades. NVR's management team, however, has proven susceptible to the market uncertainty, as certain key executives and board members alike have recently cashed out $230 million worth of stock in the aftermath of the April 20th Q1 earnings report.

- Though the Company managed to beat consensus estimates for both Q1 sales and earnings in the recent period, there are plenty of signs that it is far from out of the woods. We spoke to a number of our contacts in the region, all marketing execs with different builders, who concurred they are able to maintain the current sales pace only with price cuts and liberal incentive programs. Most feel that any turnaround is far off as there is not only a steep inventory surplus in their markets, but many prospective buyers have been removed from the demand side of the equation as credit standards tighten. We are still looking for clues as to what merits boosted NVR shares 100% since bottoming at $386 last July and justifies a 35% premium to the DJ US Home Construction Index since January.

Figure 5. Value of Shares Sold Annually by NVR Insiders (Thousands of $; 2007 is through 05/14/07 only). Source: NVR SEC Filings.



[3] "Home Builders Tick Up: Is A Bottom At Hand?" Investor's Business Daily, Trang Ho, April 25, 2007.
[4] "Time to Buy Homebuilders?" Forbes.com, George Putnum, April 25, 2007.

- Between January 29th and May 3rd eight NVR insiders sold a total of 298,768 shares at prices ranging from $643 to $840. To put the scope of these sales into perspective, the YTD volume has already exceeded the annual sales of all but one (2003) of the last thirteen years. What's more, the shares sold accounted for more than 40% of the total actionable ownership held by the Company's fourteen named executives and directors at the beginning of the year. The activity finds itself rather ominously led by Chairman **Dwight Schar** (65), who sold more than 80% of his ownership, 260,000 shares, between April 25th and May 3rd. After owning nearly 15% of the Company just four years earlier, his actionable holdings now stand at just 42,000 shares. Never have we seen Schar slash such a significant majority of his holdings as we have just seen.

Table 2. Options Scheduled to Vest for NVR Named Executives, 2007-2009. Source: NVR SEC Filings.

Insider	2007	2008	2009
D. Schar	100,000	100,000	100,000
P. Saville	37,500	37,500	37,500
W. Inman	12,500	12,500	12,500
R. Henley	1,750	1,750	1,750
D. Seremet	12,500	12,500	12,500

- Other sellers of note were named officers **William Inman**, president of NVR Mortgage Finance, and Controller **Robert Henley**, who sold 45% and 65% of their ownership, respectively. There were also four independent board members that monetized options in the first quarter, including Audit Committee Chairman **Manuel Johnson**. Adding to our interest in this activity is the fact that NVR execs currently hold just one series of unvested options which will vest in part (25%) this December. They have not received options nor restricted stock since 2005 that would eventually offset their current holdings erosion. Table 2 above lists the number of options each executive currently has scheduled to vest through 2009. All dynamics aside, these sales provide valuable clues as to management's sentiment with regards to their future performance expectations for NVR shares.

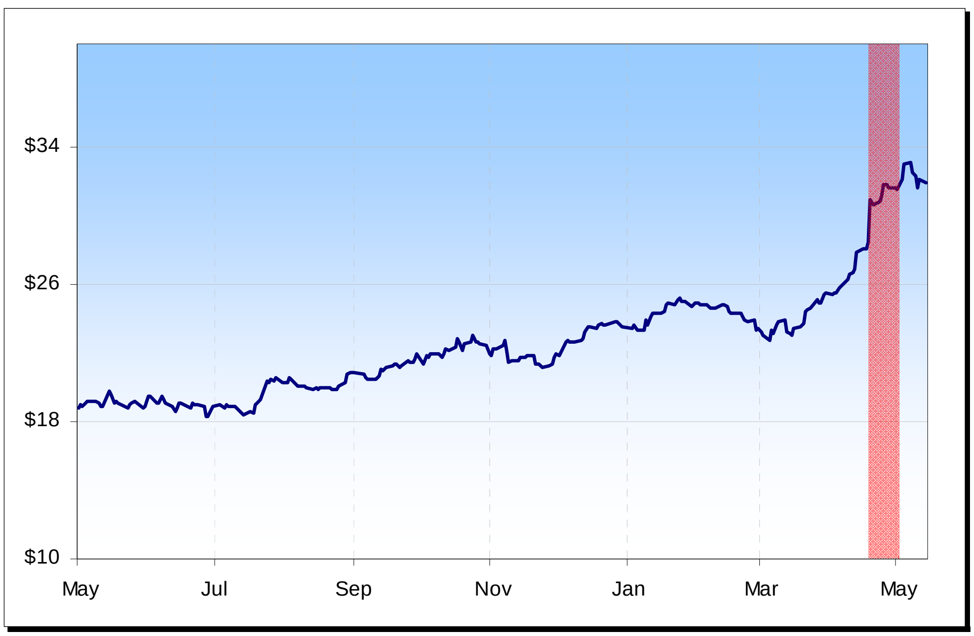
Table 3. Most Recent 3DA Reports on Covered Homebuilders (UR=Update Report, RN=Research Notes). Source: 3DAdvisors, LLC.

Company	Ticker	Most Recent Report Date(s)
WCI Communities Inc.	WCI	09/25/06 (UR)
Beazer Homes USA Inc.	BZH	12/18/06 (RN)
Centex Corp.	CTX	04/09/07 (RN)

Schering-Plough Corp. (NYSE: SGP)

- As mentioned earlier in this report, there are a number of pharmaceutical companies we have been following closely. We now add another name, Schering-Plough, to our focus group after a key executive surfaced to monetize a significant percentage of her ownership. This story is just beginning to develop as there have been a few sellers following the Company's first quarter earnings report, but just one of great significance. In spite of this, the activity is inconsistent with the current Street sentiment and merits our attention, especially when the handful of bullish sell-side analysts largely discounted CFO **Bob Bertolini**'s quiet warning that the first quarter sales growth rate "is expected to moderate in the remaining quarters of 2007" while also adding, "several of our key brands could face increased competition, including REMICADE, NASONEX, and PEGINTRON." For those not familiar with the Company's products, these were the top three sellers in 2006 and accounted for nearly 30% of 2006 revenues.

Figure 6. SGP Daily Closing Price, 05/01/06 through 05/14/07. Red shaded area is where three insiders sold 965,937 shares. Source: Reuters and SGP SEC Filings.



- Schering-Plough surprised its followers on April 19th when it reported earnings and sales that beat the consensus by 25% and 10%. The shares traded 10% higher on the news to close at a new five-year high of $31. The following day, Executive V.P. **Carrie Cox** (49), who oversees global operations which accounted for 60% of the Company's 2006 revenues, surfaced with her first sale since joining SGP in 2003. Cox monetized all 450,000 options from a series that had just vested in full two months earlier and still had 7 years left before expiration. But she did not stop there. On May 1st, after the shares advanced another 3% from her prior sale date, Cox cashed in another 450,000 options not set to expire until May 2013. The 900,000 shares sold, which generated pre-tax profits of $11.6 million, **accounted for 65% of her actionable ownership**.

- Cox, who has held a spot on Fortune Magazine's list of the 50 most powerful women in business for the past five years, is the second highest compensated Schering-Plough executive with a total 2006 compensation package of $11.3 million, and held the second largest inside ownership position, behind CEO **Fred Hassan**, prior to these sales. From an historical perspective, this is very unusual behavior for Cox, who is one of many former Pharmacia executives recruited to Schering-Plough by Hassan (former Pharmacia chief executive). During her six years with Pharmacia, before its acquisition by Pfizer in 2003, she had never sold more than 15% of her ownership, which makes her recent sale of SGP shares stand out. What's more, she has yet to fulfill her stock ownership requirement of three times her base salary ($987K), but still has three years to do so.

- Other officers to surface, post earnings, were: Senior V.P., Global Human Resources **C. Ron Cheeley** (56) and Senior V.P., President, Consumer Health Care **Brent Saunders** (37). Both execs sold for the first time since joining the Company in 2003, but neither disposed more than 15% of his total actionable ownership. As mentioned, this situation is in its early stages and it is entirely possible additional activity will not appear. We suspect the current market price will entice other SGP insiders, who for years waited patiently for the stock to appreciate, to begin taking profits.