




#### This 3DAdvisors Report Covers:

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

## Insider Research Bulletin

**August 20, 2007**

Contact: Bob Gabele (954) 779-3974 or [bgabele@3DAdvisors.com](mailto:bgabele@3DAdvisors.com)  
Sean Loren (954) 457-4991 or [sloren@3DAdvisors.com](mailto:sloren@3DAdvisors.com)

*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

- ▶ Align Technology Inc. (NASDAQ: ALGN)
- ▶ Biogen Idec Inc. (NASDAQ: BIIB)
- ▶ PepsiAmericas Inc. (NYSE: PAS)

---

## Discussion of 3DAdvisors Findings

### Align Technology Inc. (NASDAQ: ALGN)

Unless you are one of those holding a short position in the Company, or have teenagers who need to get their teeth straightened, chances are you have not heard much about Align Technology. The Company manufactures and markets the latest technology in orthodontics; invisible trays that are hoped to eventually replace the more conventional metal braces. But while management touts the product as being a significant improvement over standard treatments and has offered pretty significant growth projections, the most tangible fact is that insiders have unwound their ownership positions at a staggering rate. All eight of the Company's Section 16 filing executives have sold at least 40% of their ownership, three of whom topped 85%. Equally as vital

as the reduction percentages is the manner in which they have sold, as they have tapped into multiple types of derivative equity and utilized slick trading strategies to juice their profits. These facets, framed with their opportunistic trading history, make for what we feel is a story our clients should familiarize themselves with, regardless of the fact that the short interest (17%) is already high.

Align's teeth alignment treatment, Invisalign, starts with a process that involves a computerized image of the mouth, which in turn generates a 3D image that allows the orthodontist to prescribe a plan for the patient's specific needs. A package of custom aligners (clear removable trays) are then made, which are worn for varying timeframes customized for each patient. Our research turned up only a few advantages over metal braces, such as the patient's ability to remove the trays for eating and brushing, and the cosmetic benefit. What we were not able to ascertain from Company documents are the handful of disadvantages:

- Treatment prices hinge on the severity of the case, but in most situations, Invisalign proves to be the more expensive treatment. Many current Invisalign patients have reported orthodontists in the same geographic region charging significantly different prices for the same services.
- Because the aligners are removable, they are not continually correcting the teeth. Patients have reported extreme difficulty and discomfort removing the trays.
- An advantage claimed by the Company is the "potential" reduction in overall treatment time. However, we found an abundance of cases on customer web forums where patients expressed dissatisfaction with the program taking much longer than they were initially told.
- A literature review, published in the Journal of the American Dental Association, reported inconclusive proof of Invisalign's treatment effects or the system's treatment indications.<sup>1</sup> There seems to be a lack of historical clinical data to support the products efficacy.

Based on the Company's growth over the past two years, it is apparent there are plenty of current and potential consumers who are still very attracted to the product's potential. Earnings and revenues in the first and second quarter exceeded all expectations, with sales increasing 30% and 44%, respectively, over the prior year. Investors traded the historically volatile stock 33% higher after the first quarter release, but the recently reported quarter did not have the same effect, as the shares have run out of steam, trading between \$24 and \$27 for the better part of four months. This has not deterred insiders from cashing out. The selling volume in the yet-to-be-completed third quarter has already exceeded each of the last two quarters despite rapidly deteriorating ownership levels. In essence, management is scraping the bottom of the barrel to take profits. Six of Align's nine registered executives presently do not hold any common stock even with restricted shares becoming actionable on a quarterly basis.

---

<sup>1</sup> Manual O Lagravere, and Carlos Flores-Mir, "The Treatment Effects of Invisalign Orthodontic Aligners: A Systematic Review". Journal of the American Dental Association. 2005, Vol 136, No 12, 1724-1729.

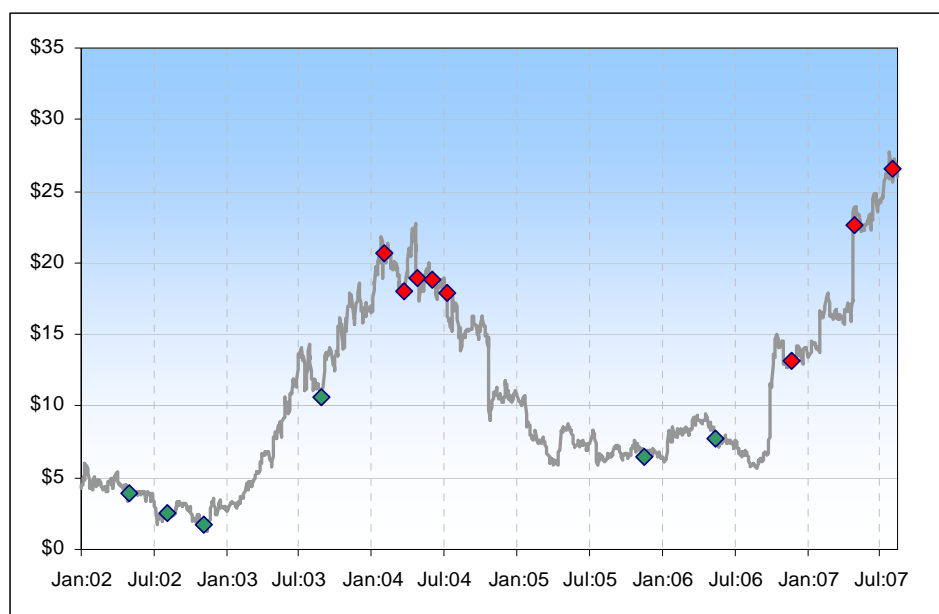
In addition to the aggressive selling of stock options and unrestricted shares, we find a pair of executives engaged in a profit-taking practice we can not recall having seen before from senior officers: Beginning in the fourth quarter of 2006, General Counsel **Roger George** began “flipping” the shares acquired through ESPP (Employee Stock Purchase Plan) purchases. After routinely making contributions from 2003 to 2006, he cashed out the balance of shares last October after the stock surged 48% on the settlement of a patent case with OrthoClear. Here is where things get interesting. On January 1<sup>st</sup>, the start of a new “offering period”, he made another contribution of nearly \$3,000 (291 shares), which he sold just one month later. The same occurred in July when he contributed another \$3,000, then sold the new stock later in the month. This quick rotation of ESPP shares has proven to be extremely lucrative. At first, it would seem this violates the short swing rule, which restricts insiders from taking profits within six months of a purchase, but these ESPP trades are exempt under Section 16b-3. If a Company permits this activity, an insider can actually sell the stock within one day of purchasing it through the ESPP. The advantages for the insiders, however, did not end there.

Not only does Align offer its employees a 15% discount on the purchase price, but the Plan contains a “look-back” provision in which the purchase price is based on the lower of the stock’s price at either the beginning of the offering period or the purchase date. If the stock’s price increases during this time, the discount can effectively be more than 15%, and in this case, it proved to be much higher. For example, ALGN shares traded at nearly \$14 when George made his January 1<sup>st</sup> contribution. However, with the look-back provision, he was able to buy the shares at the July 2, 2006 market price of \$7.42. Taking into account the 15% discount, this made the difference between a 35% and 155% profit when he sold the shares one month later in February. While most companies do not regulate flipping, there is no denying it defies the spirit of stock purchase plans, which are meant to encourage long-term ownership. Whereas the practice might be tolerable amongst the corporate rank and file, executive officers are, theoretically at least, held to a higher standard of corporate responsibility. IBM, for instance, actually has a clause that removes its executives from the plan if they sell their shares immediately. In any case, we certainly would not expect to see a head counsel take advantage of a benefit plan in this fashion.

As mentioned, the purchases and sales of Align insiders have been timed quite presciently. Although there are a number of executives we could highlight, President, CEO **Thomas Prescott** deserves to be singled out. One could suspect a certain amount of clairvoyance based on his ability to invest or hedge at the most opportune times. Any investor who mimicked his eight open market purchases between 2002 and 2006 would have recognized an average return of 300% after a one-year period. Conversely, following his sales during the same timeframe would have prevented an average loss of 40% in the ensuing six months from his sale dates. His track record is impressive to say the least.

On a final note, we were a little surprised when an SEC Form 8-K was filed on July 24<sup>th</sup>, one day before the Q2 earnings release, announcing the termination of Chief Information Officer **Michael Henry**. Henry, a named executive officer, is the newest member of the executive team, having joined the Company in December 2005. The Company did not provide any reason for his sudden departure, but did disclose he would receive six months of severance pay. Although the terms of his separation are unclear,

**Figure 1.** ALGN Daily Closing Price, 01/02/02 through 08/14/07. Green diamonds are the dates of CEO Prescott's open market purchases; Red dots are the dates of his sales. Source: Reuters and ALGN SEC Filings.



it seems as though he leaves over \$1.5 million in unvested stock and options on the table. Two analysts pressed for more information on the conference call but were snubbed, as CEO Prescott commented, "I think the 8-K ought to speak for itself". His termination might have little impact on the Company's operations, which both the 8-K and Prescott suggested, but the cloak of secrecy surrounding this move combined with the aggressive and highly unusual trading behavior does make us more than a little suspicious.

- **Eldon Bullington (55)\*** – V.P., Finance, Chief Financial Officer. Bullington joined the Company in 2002, making this his longest stint at a firm in the past 15 years. Align has grown exponentially since he came on board and he has certainly benefited personally in the past year. After years of sitting on the sidelines while his peers sold, Bullington commenced his profit taking in October 2006, selling 150,000 shares at \$13. This year he has sold another 125,000, including 75,000 disposed on July 30<sup>th</sup> and July 31<sup>st</sup> at roughly \$27. Recent sales stemmed from the exercise of options with eight years remaining before expiration. The 275,000 shares sold **accounted for 65% of his actionable ownership**, which is mostly comprised of vested options. Bullington had previously sold only after significant upward volatility, but his July sales denote a new behavior since the trades were executed into sideways price movement, three months after the April earnings rally. We will be closely watching to see his response to the next earnings release. He will have a total of 115,000 options and shares become actionable over the next 16 months (see Appendix A).
- **Roger George (41)** – V.P., Legal and Corporate Affairs, General Counsel. George has aggressively cashed in not only options, but also all unrestricted stock and shares held in the ESPP. In all, he has sold 281,000 shares since last October, or

**nearly 85% of his actionable holdings**, and currently holds no common. On July 31<sup>st</sup> and August 2<sup>nd</sup> he cleared out all vested options from three series not set to expire for at least six years, while also cashing out his available common for a total of 21,136 shares. He will add another 72,000 actionable options and shares, which vest monthly and quarterly, to his holdings through December 2008 (see Appendix A).

- **Gil Laks (41)** – V.P., International. Laks, a six-year officer, executed his first sale of 119,000 shares in October 2006 and has subsequently surfaced after each earnings report until finally cashing out the last of his position in July. Evidently enticed by the rising share price, Laks has sold 191,000 shares since last July, stemming from the exercise of options, as well as newly-unrestricted stock and ESPP shares. Most recently he sold 12,463 shares on July 27<sup>th</sup> at \$27, **effectively cashing nearly all remaining equity (98%)**. Though these shares will eventually be replaced as his derivative equity vests on a monthly and quarterly basis, do not look for this to happen quickly. An average of 4,700 options and shares vest each month through the end of 2008 (see Appendix A). We should also point out that Laks, interestingly, stopped contributing to the ESPP plan after cashing out the balance in February.
- **Thomas Prescott (51)\*** – President, Chief Executive Officer. Prescott has already cashed out 400,000 shares this year, more than he had sold between 2002 and 2006, including 200,000 sold between July 31<sup>st</sup> and August 7<sup>th</sup>. **The sales set his holdings back 40%**. Though his actionable holdings (exercisable options and unrestricted common stock) totaling nearly 900,000 are still quite large, the acceleration of his diversification efforts coincides with the behavior of his peers. He will have roughly 205,000 new options and shares become actionable through the end of 2008 (see Appendix A).

\* Indicates individual was a “Named Executive” in the Company’s last proxy.

#### Biogen Idec Inc. (NASDAQ: BIIB)

There is no question multiple sclerosis drug developer Biogen Idec has been a more attractive investment since the June 2006 re-introduction of Tysabri after the drug was pulled off the market in 1Q05 for its link to a rare deadly brain disease (PML). The Company has now begun to diversify its portfolio, which had essentially been a one-drug wonder containing Avonex, the market leader for MS treatment. Avonex had accounted for 95% of the Company’s product revenues between 2004 and 2006, but has dropped to 90% this year with Tysabri gaining market share. Investors have evidently embraced the Company’s growth prospects, evidenced by BIIB shares outpacing the DJ Biotechnology Index by more than 20%. Wall Street has not been as euphoric, with 21 of 26 analysts rating the stock a “hold”. Based on the progressively bearish insider profile, we are inclined to think that BIIB is a good candidate for further investigation as a short candidate. Ten officers and directors have sold 675,704 shares under 10b5-1 trading plans since April at increasing prices from \$45 to \$59, but their plan activity can hardly be defined as structured.

While *most* 10b5-1 plans are established to follow pre-designed trading specifications and are truly compliant with regards to the manner in which they are constructed, we are left to assume that, due to poor disclosure practices, 10b5’s in place

at Biogen Idec are not consistent with the spirit of the Rule and represent significant executive behavior that needs to be closely analyzed by investors. The abuse of 10b5-1 plans has been of great interest to us for a number of years, but finally caught the SEC's attention after an academic report released in December 2006<sup>2</sup> showed trading plan sales beat the market by significantly more than executive trades made outside of such plans. During a March 8<sup>th</sup> Corporate Counsel Institute conference, **Linda Chatman Thomsen**, Director of the SEC's Division of Enforcement, expressed her concern with 10b5-1 abuse and remarked, "We are looking at this—hard." Not only have we analyzed this issue exhaustively, but we have also devised a methodology for evaluating the efficacy of trading plans based on a number of criteria (for more information, see [Special Report: Analysis of Abusive 10b5-1 Trading Plan Behavior](#)). As you will see, Biogen Idec's insiders fall well short of meeting our expectations for appropriate trading plan profit taking.

- Criteria #1: Holdings Deterioration. Have a majority of those trading in-plan reduced their holdings by significant percentages (typically more than 25%)?

The steady stream of Biogen Idec trading plan sales, which began as early as December 2003, did not have a grave effect on year-over-year holdings levels until this year. Ownership had remained fairly constant until the April to August diversification surge which depleted the holdings for several key officers by 40% to 82%. The acceleration of holdings reductions becomes more significant when taken into account with the declining amount of derivative equity scheduled to vest downstream. It becomes more unlikely that we will see their ownership return to past form.

Insider	Position	% Ownership Sold YTD
J. Dunn	Executive V.P.	82%
M. Wiggins	Executive V.P.	72%
M. Kowolenko	Senior V.P.	61%
C. Schneier*	Executive V.P.	60%
B. Adelman*	Executive V.P.	41%

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

- Criteria #2: Plan Disclosure. Has the company or individual participants sufficiently disclosed the terms of newly-adopted 10b5-1 plans?

From our experience, companies that provide the least amount of 10b5-1 disclosure typically have the most nebulous plans and the least amount of company oversight, and Biogen Idec has some of the most inadequate 10b5-1 disclosure we have seen

<sup>2</sup> Jagolinzer A. "Do Insiders Trade Strategically within the SEC Rule 10b5-1 Safe Harbor?" Working Paper, Stanford University. December 2006.

in quite some time. The only mention we have been able to trace of the mere existence of trading plans over the past four years is the following disclosure provided in a footnote of each Form 4 filed for their sales: *"Sale pursuant to a trading plan intended to comply with Rule 10b5-1 of the Securities Exchange Act of 1934"*. The Company has never disclosed plan adoptions or terms in any other SEC filing or press release, not even for CEO **James Mullen** who sold nearly 500,000 shares under a plan in November 2006. We point this out because typically, even companies we have encountered with the worst 10b5-1 transparency usually disclose information about a chief executive's activity. There are no more than a handful of companies we have seen that are as deficient in their 10b5-1 disclosure as Biogen Idec.

- Criteria #3: Plan Modification/Termination. Did plan participants modify or terminate their plans more than once since adopting their first plan?

Because the Company has never provided any of the most commonly disclosed plan details, such as adoption and expiration dates, we can not rule out the possibility that they have modified or terminated any of their respective plans. In fact, based on their unwillingness to supply the information, and the abnormal pattern of their sales, it is a good bet they have reworked some of their plans. It is also unclear if they currently trade under one prolonged plan adopted in earlier years or if they have adopted multiple (successive) plans over the past few years. It is rare to see trading plans in effect for more than 12 months, so we presume they have jumped in and out of different plans.

- Criteria #4: Delay Period Before Selling Commencement. Are participants waiting at least 30 to 60 days after plan adoption before executing their first plan sales?

Without knowing the actual plan adoption dates, it is impossible to determine how many days insiders wait before commencing their trading plan sales. Nearly each insider's plan sales occur at irregular intervals, which could indicate either gaps in between new trading plans and/or a sale execution schedule not tied to specific pre-set dates. We are unable to identify any of the price, date or event formulas commonly adhered to under such plans.

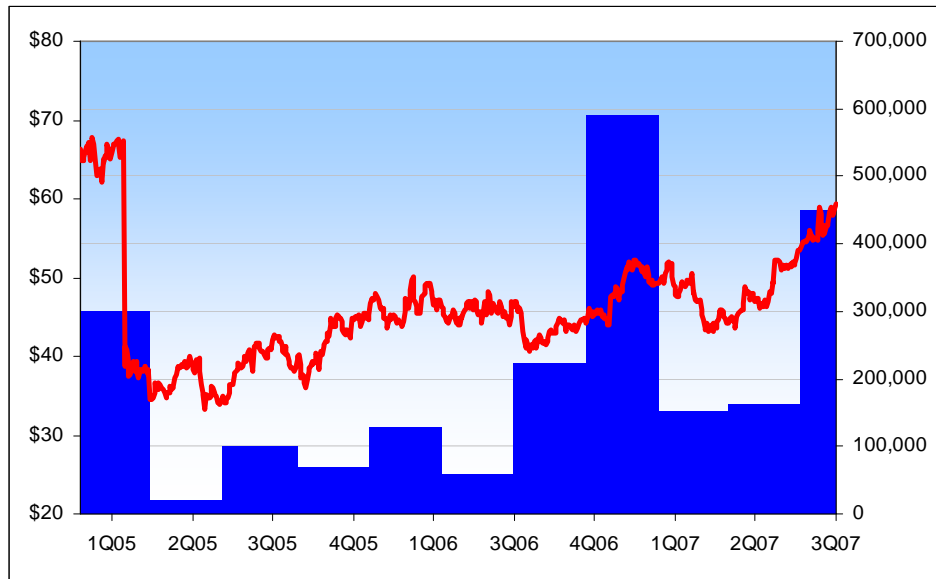
- Criteria #5: Out-of-Plan Selling. Had plan participants gone outside of their respective plans to distribute additional shares?

We have yet to see any evidence insiders sold outside of their respective plans. In fact, there have not been any non-10b5 sales since the beginning of 2005.

While the lack of information in this case raises our antennae, there are other trading anomalies related to these executive sales plans that reinforce our judgment. For one, we become interested when insiders are able to time their sales with earnings surprises within the constraints of Rule 10b5. We have seen plans designed to regularly execute a consistent level of sales before or after earnings release dates, but BIIB insiders have never shown this. Case in point: In four of the last five earnings releases, only one individual had surfaced to sell in multiple periods, and he only twice. Yet, after the July 24<sup>th</sup> earnings report, after which BIIB shares gained 8%, five company insiders, each with his own distinctive trading plan, quickly took profits. This inconsistency,

quarter to quarter, coupled with the Company's practice of poor 10b5-1 disclosure gives the appearance the sales are being timed.

**Figure 2.** BIIB Daily Closing Price, 01/03/05 through 08/14/07 (Red line and left scale); Quarterly Selling Volume of BIIB Insiders, 1Q05 through 3Q07 (Blue bars and right scale). Note: Selling for 3Q07 is through 08/14/07 only. Source: Reuters and BIIB SEC Filings.



We also find it particularly interesting that each insider's sales plan allows for not only the monetization of options, but also the sale of restricted stock shortly after vesting. The Company advertises that the goal, with regards to the granting of restricted stock, is to promote share retention and to "encourage the executives to act in a manner consistent with the long-term interests of the Company and its stockholders," but these 10b5-1 programs seem to ignore the stated objective. Officers have been granted tens of thousands of restricted shares and units since 2004, but only President, Chief Executive **James Mullen** has retained more than 10,000 of the shares. The common stock levels across the board are substantially lower than we would expect from a senior executive team that has been awarded a healthy mix of derivative equity in the past four years.

After a turbulent first half of the year, Biogen Idec shares were given new life in late May when the Company announced the board had authorized a modified Dutch auction tender offer to repurchase roughly 57 million shares for \$3 billion, or roughly 16% of its float. CFO **Peter Kellogg** attributed the decision to "taking advantage of the recent share price," which at the time was roughly \$52. But at the same time the Company began buying back stock, there was a noticeable acceleration in insider selling. ***Twice as many shares had come out after the May 30<sup>th</sup> announcement date than had been sold between January and May.*** While the buyback clearly helped boost BIIB shares to higher price levels, the insider behavior suggests management does not believe the richer valuation is justified. Or at least, that they disagree with the use of cash, as it would seem the Company will not be looking for any large acquisitions or making any large investments in its pipeline. Shortly after orchestrating the



repurchase, CFO Kellogg jumped ship for greener pastures, assuming the same position at Merck. Clearly, he received a sweeter deal than BIIB was able to match, as his base salary jumped 50%, incentive bonus targets increased, and he will receive considerably more derivative equity. The move, in terms of compensation, is understandable, but one has to wonder if Kellogg sees two companies headed in very different directions.

- **Mark Wiggins (51)** – Executive V.P., Corporate and Business Development. Wiggins has been an officer since joining the Company in 1998 but has been registered as a Section 16 insider only since receiving his current title in July 2004. His trading behavior since the start of the second quarter is unprecedented, as he **used Rule 10b5 to monetize 72% of his actionable position**. While he has utilized trading plans to take profits since 2004, his selling volume through July nearly doubles the total sold over the prior three years. One interesting component of his trades is the lumpiness of the plan sales, which by definition, should be systematic and uniform. After selling 32,000 in Q1 at an average price of \$47, he has since tapped into four non-expiring option series (expiration dates: January 2010 to February 2016) and his common holdings to sell 145,000 shares at prices between \$45 and \$55.

Included in the options exercised was a series with seven years remaining before expiration that yielded just a 9% pre-tax profit, well below the average we are accustomed to seeing in option-related transactions. We have yet to see any disclosure from the Company that would indicate Wiggins is on his way out, making his behavior even more intriguing. He will have 54,000 options and restricted shares become actionable through the end of 2008 (see Appendix B) and holds 175,000 underwater options that will require BIIB to appreciate between 2% and 20% for them to be in the money.

- **Craig Schneier (59)\*** – Executive V.P., Human Resources. Schneier serves as another example of a BIIB insider who has noticeably deviated from his trading formula. After following a regular sales plan schedule in 2004 and 2005, his 10b5-1 activity tapered off in 2006 until he resurfaced to sell 209,500 shares between July 9<sup>th</sup> and August 14<sup>th</sup> at \$54 to \$59 a share. These sales covered more shares than he had cumulatively sold over the prior three years and thus **reduced his actionable ownership by 60%**. In order to sell, Schneier exercised four separate option series with four to nine years remaining before expiration. Since the Company has never made investors privy to the specifics of its insiders' 10b5-1 plans, it is unclear whether he is currently trading under an pre-existing plan or one adopted just recently, but the fact remains he has assumed a more aggressive diversification strategy in recent weeks. Schneier will have nearly 100,000 options and shares vest by next February, but that will be it until 2009 (see Appendix B).
- **John Dunn (54)** – Executive V.P., New Ventures. Dunn served as IDEC's head counsel for two years before the merger and now oversees the New Ventures division, formed in 2004, that invests in emerging biotech companies. Like his peers, Dunn accelerated his selling in recent months, distributing more shares than he had in total since the merger. After selling 56,000 shares between 2004 and 2006, mostly under Rule 10b5, he has sold 61,631 shares "in plan" since April at an average price of \$51. These shares came not only from non-expiring options (expiration dates: December 2012, February 2014 and February 2016), but also included common stock that became unrestricted in the first quarter. In all, he has

**shed more than 80% of his actionable holdings** and will not have enough options and shares vest (48,000) over the next 16 months to replace what was sold in the past three months (see Appendix B).

- **Burt Adelman (54)\*** – Executive V.P., Portfolio Strategy. Adelman headed up Biogen's R&D efforts both before and after the merger, but was repositioned when outsider **Cecil Pickett** was brought in back in September 2006. Although he has been a more active trader over the years than others, the 154,225 shares distributed between July 3<sup>rd</sup> and July 26<sup>th</sup> eclipsed the total sold in any full year dating back to the merger. In fact, **this year he has already sold 41% of his total actionable ownership under the guise of Rule 10b5** after never having sold more than 25%. Adelman exercised four option series with expiration dates ranging between August 2011 and February 2016. The majority of his remaining vested options (70%) would yield a pre-tax profit of just 15% if monetized at current market prices and he also holds 60,000 options underwater by 12% to 22%. Either he is betting that BIIB shares will appreciate enough to unlock value in his remaining options, or more likely, he had concerns the options exercised in July were in jeopardy of slipping underwater. Adelman will only have 55,000 options and shares become freely tradable through January 2009, making it unlikely that he will replenish his position.
- **Michael Kowolenko (51)** – Senior V.P., Pharmaceutical Operations. A former Biogen quality control exec, Kowolenko executed his largest-ever sale on July 25<sup>th</sup>, selling 20,507 shares through a personal sales plan at \$58. The timing of the trade is curious as it was executed one day after the Company reported surprise Q2 earnings and the shares hit a 30-month high on an analyst upgrade. Keep in mind, 10b5-1 sales are supposed to be predetermined and none of his prior plan sales were scheduled around earnings report dates. It seems fortuitous that a supposed planned sale, **covering 61% of his actionable holdings**, would go off into a sudden price surge. Kowolenko is the lone executive who will have enough options and shares (45,000) become actionable over the next year to replace what was sold (see Appendix B). We will be watching closely to see if these are quickly monetized as well.

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

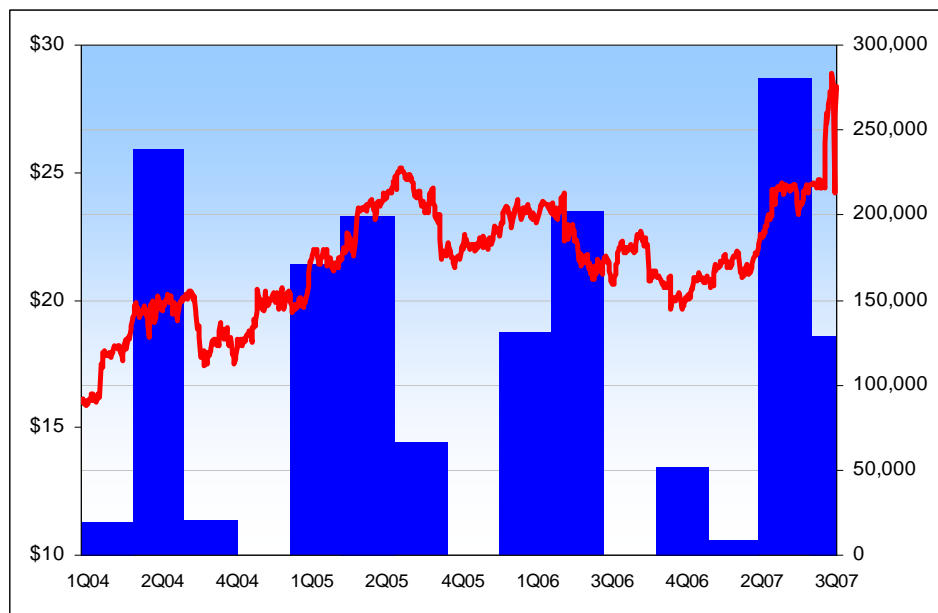
#### PepsiAmericas, Inc. (NYSE: PAS)

Over the years we have closely followed the soft drink bottler insiders due to their capacity for taking profits at some of the most opportune moments. Coca-Cola Enterprises (NYSE: CCE) managers aggressively sold in 2Q04 just before a big earnings miss which set the shares back 18%. The selling volume at Pepsi Bottling Group (NYSE: PBG) spiked to a new all-time high in the third quarter of 2006 just before the Company issued full-year guidance on October 3, 2006 that fell short of The Street's expectations, giving rise to the biggest one-day loss in three years. Insiders at Pepsi's largest bottler, PepsiAmericas, have been just as timely over the years, most notably just before a first quarter 2006 earnings shortfall and then into the resulting weakness before lowering full-year guidance. PAS shares would go on to lose more than 20% of their value in the months following their sales. In each of the above cases, the trading behavior starkly contradicted the bullish sell-side sentiment for each company, substantiating the importance of monitoring the trading behavior of industry insiders.

Recent profit taking at PepsiAmericas evokes memories of past anomalous, and very timely, trading behaviors.

We specifically note that four executives surfaced after the July 25<sup>th</sup> earnings release, to capitalize on the ensuing rally. This group included some very key insiders. Two of the highest ranking officers in the Finance Department, CFO **Alexander Ware** and Treasurer **Andrew Stark** sold respectively 85% and 100% of their actionable ownership, counting sales during the second quarter, while President, Chief Operating Officer **Kenneth Keiser** cashed in 80% of his position. The dispositions for certain insiders since the second quarter represent personal records in terms of volume and holdings depletion percentages. Two influential board members lightened their ownership by 60% and 85% back in late April as well, which is spelled out in more detail below. Historically, the insider selling volume has intensified ahead of price reversals (see Figure 3 below), which held true for the recent round although that can be partially attributed to market weakness. But we have always maintained that an assemblage of insiders taking profits shortly after significant upward moves suggests a lack of confidence the shares can hold the higher prices.

**Figure 3.** PAS Daily Closing Price, 01/02/04 through 08/13/07 (Red line and left scale); Quarterly Selling Volume of PAS Insiders, 1Q04 through 3Q07 (Blue bars and right scale). Note: Selling for 3Q07 is through 08/14/07 only. Source: Reuters and PAS SEC Filings.



Of the six insiders who sold since April, all but one monetized every last stock option at his disposal. This is significant because the Company ceased granting options under the 2000 Long-Term Performance Plan and, according to recent documents, intends to exclusively use restricted stock in the future. These grants are tied to the past year's performance, and as the Company points out, the performance measures are difficult to achieve and have caused a fluctuation in the annual payout ranges. And whereas past stock option awards vested evenly over three years, the restricted shares

vest in their entirety three years from the grant date. While this might not affect how many shares executives will have vest downstream, it does affect how many shares they will retain. PAS restricted share holders are required to turn in stock to cover the associated taxes on the award's vesting date, which was not the case with options. In other words, a grant of 30,000 options leaves the holder with opportunity to receive 30,000 shares at the conclusion of the vesting period. The same insider, if awarded 30,000 restricted shares, would retain as few as 20,000 based on the appropriate capital gain tax rate. More relevant to this story, President, COO Keiser sold 220,000 since April and will only have 70,000 restricted shares vest through the end of 2008 (retaining approximately 45,000), which will hardly replace the ownership he divested. It will take years for the recent sellers to replenish their ownership based on the levels of derivative equity scheduled to vest downstream.

We caution anyone looking at the beneficial ownership table in the most recent proxy statement that the figures provided by the Company are not accurate. Beneficial ownership by definition implies a security the holder has both voting and investment power over. PepsiAmericas includes all restricted stock in their totals, some of which are not scheduled to vest until 2010. What's more, the disclosure does not even provide a footnote breaking out the restricted stock totals, leaving the proxy reader to interpret these as actionable shares. Additionally, an interesting twist regarding unvested restricted shares caught our eye: The Company implemented stock ownership guidelines back in 2004 for all "key" executives. According to PAS documentation, only common stock and those held in retirement accounts counted towards their targets. Now, as we near the deadline for them to satisfy the obligation, the plan was amended to include all unvested restricted stock. This modification completely nullifies the spirit and purpose of the plan as each new restricted stock award, regardless of the executive, will be large enough to cover their targets, effectively facilitating the sale of all *owned* stock. Oddly enough, this new rule took effect *after* the Company hired outside compensation consultant Wyatt Watson. We should add that ownership guidelines are a common practice within PepsiAmerica's immediate peer group, but PAS is the only firm that allows an insiders' full balance of restricted stock to count towards the target.

This analysis would be incomplete if we did not underscore the analogous behavior at Pepsi Bottling Group, where three insiders sold after the Company's surprise second quarter earnings report on July 10<sup>th</sup>. Most notable to us of the group is **Yiannis Petrides**, whose largest sale to date shed 65% of his ownership. Petrides heads the Company's European operations, which those familiar with the industry are aware, has been the key driver of PBG's and PAS's sales and earnings growth and is a focal point of their expansion plans. CFO **Alfred Drewes** and President, CEO **Eric Foss** each commenced sales under new 10b5-1 trading plans. Drewes' sale was his largest on record, although it did not account for a material percentage of his ownership. There is little question the insider sentiment at the two largest Pepsi bottlers has unequivocally turned bearish at these new highs and investors should be paying close attention.

- **Kenneth Keiser (55)\*** – President, Chief Operating Officer. Keiser has worked for the Company and its predecessors since 1990, with responsibility for domestic operations through 2002 and more recently taking charge of all global operations. His trading history is not very extensive, but includes 10b5-1 selling through 2005 and his largest trades in May 2006 at \$22 before the issue languished for the following 10 months. Over the past four months he has shown a new posture, first monetizing all his remaining stock options (154,800) in late April at roughly \$24 and

later, after the issue gapped up on Q2 earnings, sold 64,510 out of his Revocable Trust on August 3<sup>rd</sup> at \$28. This was the first time he had ever touched the shares held in the Trust, which was established back in 2004. In all, the two rounds of sales **shed nearly 80% of his actionable holdings**, which are now just comprised of the remaining 66,000 shares held in the Trust. Looking downstream, Keiser will have 70,000 restricted shares become actionable in February 2008, but that will be it until 1Q09 (see Appendix C). A board member at C.H. Robinson Worldwide since August 2005, he has yet to sell any of his CHRW stock.

- **Alexander Ware (44)\*** – Executive V.P., Chief Financial Officer. Ware worked for PepsiCo for five years before joining the Company in 1999 and has been a Section 16 insider since 2002. Prior to this year he had executed only one sale (May 2006) covering 26,000 shares and has now doubled his volume in 2007. Most notably, he monetized his last remaining options on July 31<sup>st</sup> and August 1<sup>st</sup> well in advance of their expiration dates (February 2013 and February 2014). He immediately sold the 47,250 shares at \$27, effectively **cashing out almost 85% of his position**. It is clear he sacrificed future profit taking opportunities to hold cash now as Ware will have only 22,600 restricted shares become actionable through the end of 2008 (see Appendix C), some of which will be turned in to pay the associated taxes.
- **Andrew Stark (43)** – V.P., Treasurer. Stark is the second registered officer within the finance department to shed the majority of his ownership in recent months. After selling 3,150 shares at \$24 following the Q1 earnings release in May, he recently monetized his last 2,200 options on July 27<sup>th</sup> at \$27. **He no longer holds any actionable holdings** (common stock and options) and will have just 12,000 shares become actionable over the next two years (see Appendix C). While Stark has taken profits in each of the past four years, 2007 marks the first time he has sold in the aftermath of each quarterly report (including 4Q06 released on January 31<sup>st</sup>) and the only occasion he has taken all actionable holdings off the table. We should also point out that the option series cleared out by Stark in July had a strike price of \$22, which he sold for a 20% pre-tax profit. Although this is not “skimming” within 10%, we would assume that after sitting on the options for nearly seven years, he would have held them a little longer if he anticipated he could increase the return.
- **Pierre du Pont (72)** and **Archie Dykes (76)** – Directors. Although the following trades occurred back in late April, they help paint the broad insider sentiment. Directors du Pont and Dykes are two of the most experienced PepsiAmericas board members, having 30 years of combined tenure. The two account for just one sale over the past eight years covering just 5,000 shares. So, we find it highly significant that both surfaced together on April 27<sup>th</sup> to sell 122,000 shares at roughly \$24. **Dykes sold 85% of his actionable ownership while du Pont cashed in nearly 60% of his**. For those who wonder why we emphasize the sales of two who may be considering retirement diversification, look no further than their continued involvement and influence on the board. Dykes has been the lead director for the past four years and holds a seat on three of the four board committees, while du Pont also sits on three, including the Audit Committee, and chairs the Governance, Finance and Nominating Committee.

\* Indicates individual was a “Named Executive” in the Company’s last proxy.

**Copyright © 2007 by 3DAdvisors, LLC. ALL RIGHTS RESERVED.** Your possession and use of this report is subject to the terms and conditions of the 3DA Product License Agreement, and any unauthorized use or access constitutes theft and 3DA will prosecute violators to the full extent of applicable State and Federal Law. This research report may not be reproduced, stored in a retrieval system, or transmitted, in whole or in part, in any form or by any means, without the prior written consent of 3DAdvisors, LLC. The information in this report was based on sources believed to be reliable and accurate, but no warranty regarding its accuracy or suitability for any purpose is expressed or implied. Nothing contained in this report is or should be construed to be a recommendation to sell, hold or purchase any security.



## Appendix A

Option and Restricted Stock Vesting Schedules for Selected Align Technology, 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>Hossein Arjomand, V.P.-Research &amp; Development. Common stock holdings: 441 shares</b>								
11/01/05	Options	50,000	\$6.95	11/01/06	11/01/15	32,000	28,125	1,041 vest each month through 11/09
12/01/05	Options	175,000	\$6.89	12/01/06	12/01/15	155,000	102,084	3,645 vest each month through 12/09
02/24/06	Options	10,000	\$8.38	02/24/07	02/24/16	10,000	6,252	208 vest each month through 2/10
02/24/06	R. Stock	2,200	N/A	02/24/07	02/24/10	1,239	1,239	137 vest each quarter through 2/10
02/20/07	Options	15,000	\$17.88	02/20/08	02/20/17	15,000	15,000	25% vest in 2/08, 312 vest monthly after
02/20/07	R. Stock	6,000	N/A	02/20/08	02/20/11	6,000	6,000	25% vest in 2/08, 375 vest quarterly after
<b>Eldon Bullington, V.P.-Finance, Chief Financial Officer. Common stock holdings: 3,713 shares</b>								
04/23/03	Options	67,500	\$6.15	04/23/04	04/23/13	17,500	0	Fully Vested
03/12/04	Options	82,000	\$18.73	03/12/05	03/12/14	82,000	11,959	Actionable at a rate of 1,708 per month <sup>1</sup>
02/22/05	Options	125,000	\$7.35	02/22/05	02/22/15	50,000	15,624	Actionable at a rate of 2,604 per month <sup>1</sup>
02/24/06	Options	56,125	\$8.38	02/24/07	02/24/16	56,125	35,079	1,169 vest each month through 2/10
02/24/06	R. Stock	18,500	N/A	02/24/07	02/24/10	10,407	10,407	1,156 vest each quarter through 2/10
02/20/07	Options	45,000	\$17.88	02/20/08	02/20/17	45,000	45,000	25% vest in 2/08, 937 vest monthly after
02/20/07	R. Stock	40,000	N/A	02/20/08	02/20/11	40,000	40,000	25% vest in 2/08, 2,500 vest quarterly after
<b>David Collins, Director. Common stock holdings: 18,000 shares</b>								
04/01/03	Options	75,000	\$6.00	04/01/03	04/01/13	50,000	0	Fully Vested
05/23/07	Options	10,000	\$22.67	05/23/08	05/23/17	10,000	10,000	05/23/08
05/23/07	R. Stock	3,000	N/A	05/23/08	05/23/08	3,000	3,000	05/23/08
<b>Dan Ellis, V.P.-North American Sales. Common stock holdings: 3,006 shares</b>								
07/01/05	Options	225,000	\$7.44	07/01/06	07/01/15	175,000	107,813	4,687 vest each month through 7/09
02/24/06	Options	25,000	\$8.38	02/24/07	02/24/16	25,000	15,625	520 vest each month through 2/10
02/24/06	R. Stock	8,000	N/A	02/24/07	02/24/10	4,500	4,500	500 vest each quarter through 2/10
02/20/07	Options	25,000	\$17.88	02/20/08	02/20/17	25,000	25,000	25% vest in 2/08, 520 vest monthly after
02/20/07	R. Stock	9,000	N/A	02/20/08	02/20/11	9,000	9,000	25% vest in 2/08, 562 vest quarterly after
<b>Roger George, V.P. of Legal Affairs, General Counsel. Common stock holdings: 0 shares</b>								
03/12/04	Options	54,500	\$18.73	03/12/05	03/12/14	54,500	7,948	Actionable at a rate of 1,135 per month <sup>1</sup>



## Appendix A

Option and Restricted Stock Vesting Schedules for Selected Align Technology, 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
02/22/05	Options	115,000	\$7.35	02/22/05	02/22/15	16,771	14,370	Actionable at a rate of 2,395 per month <sup>1</sup>
02/24/06	Options	45,000	\$8.38	02/24/07	02/24/16	29,063	28,125	937 vest each month through 2/10
02/24/06	R. Stock	14,000	N/A	02/24/07	02/24/10	7,875	7,875	875 vest each quarter through 2/10
02/20/07	Options	45,000	\$17.88	02/20/08	02/20/17	45,000	45,000	25% vest in 2/08, 937 vest monthly after
02/20/07	R. Stock	15,000	N/A	02/20/08	02/20/11	15,000	15,000	25% vest in 2/08, 937 vest quarterly after

### Michael Henry, V.P.-Information Technology, Chief Information Officer. Common stock holdings: 0 shares

12/15/05	Options	225,000	\$6.80	12/15/06	12/15/15	155,000	131,250	4,687 vest each month through 12/09
02/20/07	Options	20,000	\$17.88	02/20/08	02/20/17	20,000	20,000	25% vest in 2/08, 416 vest monthly after
02/20/07	R. Stock	6,000	N/A	02/20/08	02/20/11	6,000	6,000	25% vest in 2/08, 375 vest quarterly after

### Gil Laks, V.P., International. Common stock holdings: 0 shares

03/12/04	Options	31,500	\$18.73	03/12/05	03/12/14	5,250	4,594	Actionable at a rate of 656 per month <sup>1</sup>
02/22/05	Options	90,000	\$7.35	02/22/05	02/22/15	13,125	11,250	Actionable at a rate of 1,875 per month <sup>1</sup>
10/03/05	Options	33,000	\$6.70	10/03/06	10/03/15	18,563	17,875	687 vest each month through 10/09
02/24/06	Options	40,000	\$8.38	02/24/07	02/24/16	25,834	25,000	833 vest each month through 2/10
02/24/06	R. Stock	12,500	N/A	02/24/07	02/24/10	7,032	7,032	781 vest each quarter through 2/10
02/20/07	Options	24,000	\$17.88	02/20/08	02/20/17	24,000	24,000	25% vest in 2/08, 500 vest monthly after
02/20/07	R. Stock	7,000	N/A	02/20/08	02/20/11	7,000	7,000	25% vest in 2/08, 437 vest quarterly after

### Thomas Prescott, President, Chief Executive Officer, Director. Common stock holdings: 122,164 shares

03/27/02	Options	1,200,000	\$4.95	03/27/03	03/27/12	337,196	0	Fully Vested
04/23/03	Options	150,000	\$6.15	04/23/04	04/23/13	137,499	0	Fully Vested
03/12/04	Options	150,000	\$18.73	03/12/05	03/12/14	150,000	21,875	Actionable at a rate of 3,125 per month <sup>1</sup>
02/22/05	Options	150,000	\$7.35	02/22/05	02/22/15	150,000	18,750	Actionable at a rate of 3,125 per month <sup>1</sup>
02/24/06	Options	135,000	\$8.38	02/24/07	02/24/16	132,869	84,375	2,812 vest each month through 2/10
02/24/06	R. Stock	55,000	N/A	02/24/07	02/24/10	30,937	30,937	3,437 vest each quarter through 2/10
02/20/07	Options	120,000	\$17.88	02/20/08	02/20/17	120,000	120,000	25% vest in 2/08, 2,500 vest monthly after
02/20/07	R. Stock	40,000	N/A	02/20/08	02/20/11	40,000	40,000	25% vest in 2/08, 2,500 vest quarterly after

### Darrell Zoromski, V.P.-Global Marketing, Chief Marketing Officer. Common stock holdings: 0 shares

12/30/05	Options	225,000	\$6.47	12/30/06	12/30/15	145,806	131,250	4,687 vest each month through 12/09
----------	---------	---------	--------	----------	----------	---------	---------	-------------------------------------





## Appendix A

Option and Restricted Stock Vesting Schedules for Selected Align Technology, 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
02/20/07	Options	27,000	\$17.88	02/20/08	02/20/17	27,000	27,000	25% vest in 2/08, 562 vest monthly after
02/20/07	R. Stock	7,500	N/A	02/20/08	02/20/11	7,500	7,500	25% vest in 2/08, 468 vest quarterly after

<sup>1</sup> These options were accelerated in October 2005, but carry restrictions preventing their monetization until the original vesting term.



## Appendix B

Option and Restricted Stock Vesting Schedules for Selected Biogen Idec, 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>Burt Adelman, Executive V.P.-Portfolio Strategy. Common stock holdings: 8,278 shares</b>								
12/09/99	Options		\$62.28	12/09/00	12/09/09	23,000	0	Fully Vested
12/15/00	Options		\$45.46	12/15/01	12/15/10	28,750	0	Fully Vested
08/08/01	Options		\$49.61	08/08/02	08/08/11	115,000	0	Fully Vested
12/14/01	Options		\$49.03	12/14/02	12/14/11	46,000	0	Fully Vested
12/06/02	Options		\$37.45	12/06/03	12/06/12	11,500	0	Fully Vested
02/06/04	Options		\$43.50	12/31/04	02/06/14	35,000	8,750	12/31/07
2/17/05 <sup>1</sup>	Options	75,000	\$67.57	02/17/06	02/17/15	75,000	37,500	02/17/08, 02/17/09
02/07/06	Options	40,900	\$44.59	02/07/07	02/07/16	40,900	30,675	02/07/08, 02/07/09, 02/07/10
02/07/06	R. Stock	16,400	N/A	02/07/07	02/07/09	10,934	10,934	02/07/08, 02/07/09
02/12/07	Options	32,400	\$49.17	02/12/08	02/12/17	32,400	32,400	02/12/08, 02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	12,500	N/A	02/12/08	02/12/10	12,500	12,500	02/12/08, 02/12/09, 02/12/10
<b>John Dunn, Executive V.P.-New Ventures. Common stock holdings: 2,629 shares</b>								
02/06/04	Options	32,970	\$43.50	12/31/04	02/06/14	12,970	8,243	12/31/07
2/17/05 <sup>1</sup>	Options	60,000	\$67.57	02/17/06	02/17/15	60,000	30,000	02/17/08, 02/17/09
02/07/06	Options	27,300	\$44.59	02/07/07	02/07/16	27,300	20,475	02/07/08, 02/07/09, 02/07/10
02/07/06	R. Stock	10,900	N/A	02/07/07	02/07/09	7,267	7,267	02/07/08, 02/07/09
02/12/07	Options	38,900	\$49.17	02/12/08	02/12/17	38,900	38,900	02/12/08, 02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	15,000	N/A	02/12/08	02/12/10	15,000	15,000	02/12/08, 02/12/09, 02/12/10
<b>Hans Peter Hasler, Senior V.P.-International Strategic Business Unit. Common stock holdings: 8,695 shares</b>								
08/08/01	Options	86,250	\$49.61	08/08/02	08/08/11	86,250	0	Fully Vested
02/06/04	Options	27,475	\$43.50	12/31/04	02/06/14	27,475	6,867	12/31/07
2/17/05 <sup>1</sup>	Options	45,000	\$67.57	02/17/06	02/17/15	45,000	22,500	02/17/08, 02/17/09
02/07/06	Options	40,900	\$44.59	02/07/07	02/07/16	40,900	30,675	02/07/08, 02/07/09, 02/07/10
02/07/06	R. Stock	16,400	N/A	02/07/07	02/07/09	10,934	10,934	02/07/08, 02/07/09
02/12/07	Options	51,800	\$49.17	02/12/08	02/12/17	51,800	51,800	02/12/08, 02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	20,000	N/A	02/12/08	02/12/10	20,000	20,000	02/12/08, 02/12/09, 02/12/10



## Appendix B

Option and Restricted Stock Vesting Schedules for Selected Biogen Idec, 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>Michael Kowolenko, Senior V.P.-Pharmaceutical Operations. Common stock holdings: 623 shares</b>								
04/01/02	Options	6,900	\$42.12	04/01/03	04/01/12	3,450	0	Fully Vested
12/06/02	Options	8,711	\$37.45	12/06/03	12/06/12	4,355	0	Fully Vested
02/06/04	Options	22,500	\$43.50	12/31/04	02/06/14	14,062	5,625	12/31/07
2/17/05 <sup>1</sup>	Options	35,000	\$67.57	02/17/06	02/17/15	35,000	17,500	02/17/08, 02/17/09
02/07/06	Options	34,100	\$44.59	02/07/07	02/07/16	29,837	25,575	02/07/08, 02/07/09, 02/07/10
02/07/06	R. Stock	13,600	N/A	02/07/07	02/07/09	9,067	9,067	02/07/08, 02/07/09
02/12/07	Options	45,300	\$49.17	02/12/08	02/12/17	45,300	45,300	02/12/08, 02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	17,500	N/A	02/12/08	02/12/10	17,500	17,500	02/12/08, 02/12/09, 02/12/10
<b>James Mullen, President, Chief Executive Officer. Common stock holdings: 48,960 shares</b>								
12/09/99	Options	718,750	\$62.28	12/09/00	12/09/09	172,500	0	Fully Vested
06/16/00	Options	287,499	\$51.85	06/16/01	06/16/10	287,499	0	Fully Vested
12/15/00	Options	143,750	\$45.46	12/15/01	12/15/10	143,750	10,268	12/15/07
12/14/01	Options	402,500	\$49.03	12/14/02	12/14/11	402,500	0	Fully Vested
12/06/02	Options	345,000	\$37.45	12/06/03	12/06/12	345,000	0	Fully Vested
02/06/04	Options	150,000	\$43.50	12/31/04	02/06/14	150,000	37,500	12/31/07
2/17/05 <sup>1</sup>	Options	325,000	\$67.57	02/17/06	02/17/15	325,000	162,500	02/17/08, 02/17/09
02/07/06	Options	240,000	\$44.59	02/07/07	02/07/16	240,000	180,000	02/07/08, 02/07/09, 02/07/10
02/07/06	R. Stock	80,000	N/A	02/07/07	02/07/09	26,667	26,667	02/07/08, 02/07/09
02/13/07	Options	210,000	\$49.17	02/13/08	02/13/17	210,000	210,000	02/13/08, 02/13/09, 02/13/10, 02/13/11
02/13/07	R. Stock	70,000	N/A	02/13/08	02/13/10	70,000	70,000	02/13/08, 02/13/09, 02/13/10
<b>Craig Schneier, Executive V.P.-Human Resources, Public Affairs &amp; Corporate Communications. Common stock holdings: 3,905 shares</b>								
12/06/02	Options	58,750	\$37.45	12/06/03	12/06/12	28,750	0	Fully Vested
02/06/04	Options	145,000	\$43.50	12/31/04	02/06/14	145,000	36,250	12/31/07
2/17/05 <sup>1</sup>	Options	75,000	\$67.57	02/17/06	02/17/15	75,000	37,500	02/17/08, 02/17/09
02/07/06	Options	60,000	\$44.59	02/07/07	02/07/16	60,000	45,000	02/07/08, 02/07/09, 02/07/10
02/07/06	R. Stock	24,000	N/A	02/07/07	02/07/09	16,000	16,000	02/07/08, 02/07/09
02/12/07	Options	38,900	\$49.17	02/12/08	02/12/17	38,900	38,900	02/12/08, 02/12/09, 02/12/10, 02/12/11



## Appendix B

Option and Restricted Stock Vesting Schedules for Selected Biogen Idec, 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
02/12/07	R. Stock	15,000	N/A	02/12/08	02/12/10	15,000	15,000	02/12/08, 02/12/09, 02/12/10

### Mark Wiggins, Executive V.P.-Corporate and Business Development. Common stock holdings: 1,411 shares

01/16/01	Options	68,250	\$57.33		01/16/11	68,250	0	
01/23/02	Options	65,800	\$65.06		01/23/12	65,800	0	
02/06/04	Options	27,475	\$43.50	12/31/04	02/06/14	6,869	6,869	12/31/07
06/15/04	Options	20,000	\$59.39	06/15/05	06/15/05	20,000	5,000	06/15/08
2/17/05 <sup>1</sup>	Options	51,000	\$67.57	02/17/06	02/17/15	51,000	25,500	02/17/08, 02/17/09
02/07/06	Options	47,700	\$44.59	02/07/07	02/07/16	35,775	35,775	02/07/08, 02/07/09, 02/07/10
02/07/06	R. Stock	19,100	N/A	02/07/07	02/07/09	12,734	12,734	02/07/08, 02/07/09
02/12/07	Options	29,800	\$49.17	02/12/08	02/12/17	29,800	29,800	02/12/08, 02/12/09, 02/12/10, 02/12/11
02/12/07	R. Stock	11,500	N/A	02/12/08	02/12/10	11,500	11,500	02/12/08, 02/12/09, 02/12/10

\* Red highlight indicates options that are currently out of the money.

<sup>1</sup> These options are fully vested but the sale of shares is restricted until the dates provided.



## Option and Restricted Stock Vesting Schedules for Selected PepsiAmericas, 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
Pierre du Pont, Director. Common stock holdings: 11,016 shares								
none								
Archie Dykes, Director. Common stock holdings: 19,171 shares								
none								
Kenneth Keiser, President, Chief Operating Officer. Common stock holdings: 66,340 shares								
02/24/05	R. Stock	70,000	N/A	02/24/08	02/24/08	70,000	70,000	02/24/08
02/23/06	R. Stock	69,000	N/A	02/23/09	02/23/09	69,000	69,000	02/23/09
02/22/07	R. Stock	60,000	N/A	02/22/10	02/22/10	60,000	60,000	02/22/10
02/22/07	R. Stock	113,000	N/A	01/01/10	01/01/10	113,000	113,000	01/01/10
Robert Pohlاد, Chairman, Chief Executive Officer. Common stock holdings: 4,063,687 shares								
01/20/00	Options	33,276	\$12.17	01/20/01	01/20/10	11,092	0	Fully Vested
02/21/02	Options	176,400	\$12.68	02/21/03	02/21/12	176,400	0	Fully Vested
02/26/03	Options	115,900	\$12.01	02/26/04	02/26/13	115,900	0	Fully Vested
02/16/04	Options	122,000	\$18.92	02/16/05	02/16/14	122,000	0	Fully Vested
02/24/05	R. Stock	85,000	N/A	02/24/08	02/24/08	85,000	85,000	02/24/08
02/23/06	R. Stock	84,600	N/A	02/23/09	02/23/09	84,600	84,600	02/23/09
02/22/07	R. Stock	73,000	N/A	02/22/10	02/22/10	73,000	73,000	02/22/10
Anne Sample, Senior V.P.-Human Resources. Common stock holdings: 6,191 shares								
02/21/02	Options	26,000	\$12.68	02/21/03	02/21/12	26,000	0	Fully Vested
02/26/03	Options	21,400	\$12.01	02/26/04	02/26/13	21,400	0	Fully Vested
02/16/04	Options	25,000	\$18.92	02/16/05	02/16/14	25,000	0	Fully Vested
02/24/05	R. Stock	21,525	N/A	02/24/08	02/24/08	21,525	21,525	02/24/08
02/23/06	R. Stock	21,600	N/A	02/23/09	02/23/09	21,600	21,600	02/23/09
02/22/07	R. Stock	20,500	N/A	02/22/10	02/22/10	20,500	20,500	02/22/10
Andrew Stark, V.P., Treasurer. Common stock holdings: 0 shares								



## Appendix C

Option and Restricted Stock Vesting Schedules for Selected PepsiAmericas, 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
02/24/05	R. Stock	6,200	N/A	02/24/08	02/24/08	6,200	6,200	02/24/08
02/23/06	R. Stock	6,500	N/A	02/23/09	02/23/09	6,500	6,500	02/23/09
02/22/07	R. Stock	7,315	N/A	02/22/10	02/22/10	7,315	7,315	02/22/10
<b>Alexander Ware, Executive V.P., Chief Financial Officer. Common stock holdings: 9,920 shares</b>								
02/24/05	R. Stock	22,600	N/A	02/24/08	02/24/08	22,600	22,600	02/24/08
02/23/06	R. Stock	46,200	N/A	02/23/09	02/23/09	46,200	46,200	02/23/09
02/22/07	R. Stock	50,000	N/A	02/22/10	02/22/10	50,000	50,000	02/22/10