3D ADVISORS

Research Notes

September 28, 2007

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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

- Biogen Idec Inc. (NASDAQ: BIIB)
- CBL & Associates Properties Inc. (NYSE: CBL) ⬆
- Cisco Systems Inc. (NASDAQ: CSCO)
- Fidelity National Information Services Inc. (NYSE: FIS)
- WCI Communities Inc. (NYSE: WCI)

3DAdvisors Research Notes

Biogen Idec Inc. (NASDAQ: BIIB)

- Being always wary of 10b5-1 abuse, we have been closely following the sales plan practices of Biogen Idec's management team since the second quarter, which we reported on in the Insider Bulletin dated August 20, 2007. Insiders have utilized 10b5-1 plans to discreetly shed significant percentages of their ownership while portraying the activity as "prearranged" under the spirit of the Rule. But more activity has surfaced since our last coverage that further invalidates the propriety of their plans and the safe harbor protection they are intended to provide. Making this story more intriguing is that their behavior has become even more impudent in the wake of the Dutch Auction news which has helped BIIB shares continue to attain new highs.

- As we last reported, Biogen Idec has yet to disclose any details pertaining to these ongoing sales plans which insiders have traded under, leading up to and since the Tysabri woes of 2005. The Company proves to be one of the least forthcoming with 10b5-1 details of any we have seen in recent years, making the analysis of their behavior more challenging. But there are certain elements of their activity which can not be suppressed despite the lack of transparency: For one, the ownership levels continue to erode under these plans. A continuation of Executive V.P., Corporate and Business Development **Mark Wiggins**' (51) activity into September increased his year-to-date percentage of actionable ownership sold from 72% at the time of our last report to 99%, while Executive V.P., Portfolio Strategy **Burt Adelman's** (54) reduction jumped from 41% to 65%.

Insider	Position	% Ownership Sold YTD
M. Wiggins	Executive V.P.	99%
J. Dunn	Executive V.P.	82%
B. Adelman*	Executive V.P.	65%
C. Schneier*	Executive V.P.	60%
M. Kowolenko	Senior V.P.	61%
H. Hasler	Senior V.P.	45%
B. Ross	Director	40%

* Indicates individual is a Named Executive in the Proxy Statement.

- We take note of several elements of the 10b5-1 activity, including the large ownership reductions, lack of disclosure, and now, the apparent timing of trades within the plans. EVP Wiggins executed two sales since our last report. The first sale on August 27th came one business day after the shares gained 7% on news the FTC approved **Carl Icahn** to buy BIIB shares. This is hardly the type of timing normally utilized in bona fide 10b5-1 plans. His next sale came on September 6th, the first time Biogen Idec had ever released long-term earnings projections (bullish), which boosted the shares as much as another 7% on the day. Although Wiggins did not execute his trade at the intraday high, it nevertheless further suggests his sale dates may not be predetermined and could be based on non-public information in violation of the Rule. In total, five Biogen Idec officers sold through their respective trading plans on the date (or day after) of the Icahn news.

- Wiggins remains a focal point in this story due to the seemingly impulsive nature of his trades, none more important than the "skimming" of his last remaining in-the-money options. Wiggins joined the Company in 1998 but has been a registered insider (filing trades with the SEC) only since 2004. Over the years he typically has monetized options at significant profits, but not recently. Between July 2004 and July 2007 he monetized options on 15 occasions which yielded an average pre-tax profit margin of 160%. More recently however he has shown a higher degree of urgency to clear out his position, clearing out two option series not set to expire until January 2010 and June 2014 for an average profit of 10%. Either his confidence that these options would remain in the money waned, or Wiggins might very well be preparing to jump ship. Either way, we have a key executive willing to unwind years of accumulated equity for next to nothing.

- Very little seems to be slowing down BIIB's momentum these days. A September 13th downgrade, from "neutral" to "sell", by a prominent investment bank was barely a speed bump as the shares have appreciated another 25% since. Investors clearly do not agree with analysts' assertion the stock is over-inflated by takeover rumors and a large buyback, but we can not help but believe, based on their actions, that management agrees with analysts that think the issue is fully if not over-valued. If anything, we are definitely losing faith in the credibility of this management team with each new trade that emerges.

CBL & Associates Properties Inc. (NYSE: CBL) ⬆

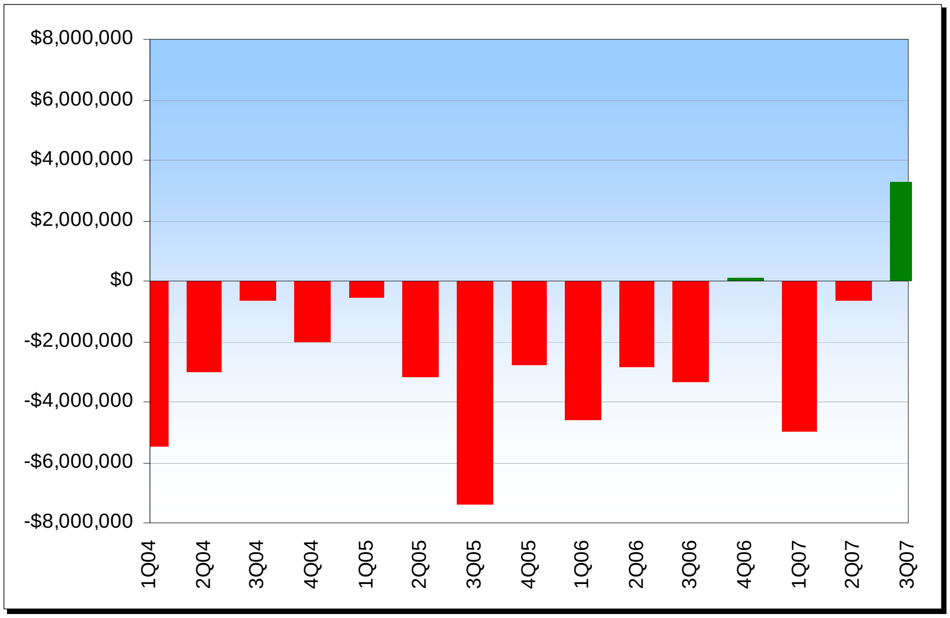
- It is clear to us that stock options are being used less frequently by corporate insiders than in past years to increase their common stock ownership. We have seen only a handful of situations in the past six months where even a small number of insiders exercised options within a similar timeframe and retained the entirety of acquired shares. Even cashless exercises, when shares are turned in to cover the exercise costs and related taxes, are on the decline according to our research. It is possible the past two years of market strength have made option-related profits too attractive to pass up, or quite simply, boards are leaning more towards the use of Restricted Stock with regards to equity compensation. Although shopping center developer and operator CBL & Associates Properties makes common ownership mandatory, and stock accumulation is facilitated by the Company's use of restricted stock awards, this has not deterred officers and board members from going out of pocket to exercise older options while also turning to the open market to buy the recent weakness.

- We should first acknowledge that management's stock acquisitions are not a new event. CBL insiders spent $9 million between 2003 and 2006 to acquire shares, during which time the issue appreciated 115%. This year they have already laid out $4.5 million, $3.3 million of which came during the third quarter. But what makes this quarter stand out to us is the unmistakable sentiment shift as Q3 represented only the second time in the past ten quarters that insiders laid out more cash to acquire stock than they received from their sales of stock (see Figure 1 below). If not for a 4,500 share sale during the final week of the quarter, Q3 would have marked the first time since the fourth quarter of 2003 that not one insider took any profits. Given management's recent preference for acquiring shares from exercises or open market buys, it is pretty clear they believe the shares have bottomed.

- From our experience, real estate investment firms are predisposed to utilizing a higher mix of non-qualified stock options (NSOs) to incentive stock options (ISOs) in their compensation practices than most other industries. Non-qualified options cause the insider to incur a personal tax liability reflecting the difference between the option strike price and the price of the underlying shares at the time of the exercise, regardless of whether they are sold. Consequently, if the shares drop lower, they would still be responsible for taxes on gains never taken. By retaining the shares, they are betting that they will not see them trading lower in the future, and that by exercising the options at what they perceive to be a low point, they are attempting to minimize their associated tax liability. While the Company filings have never disclosed whether their annual grants are NSOs or

ISOs, **Katie Reinsmidt**, CBL's director of Investor Relations, confirmed that **all options exercised in the third quarter were in fact non-qualified**, making their activity even more bullish.

Figure 1. Total Cash Used to Acquire Stock Minus Total Cash From Stock Sales, by Quarter. Red bars indicate that more stock was sold than acquired; Green bars indicate more was acquired than sold. Source: CBL SEC Filings and 3DAdvisors, LLC.



- CBL actually stopped granting options in 2002 and has since used only restricted stock for long-term compensation. Ownership guidelines, implemented in 2006 for all officers and directors, are another effort to promote share retention. The fact the guidelines are pretty lax, allowing vested stock options and CBL partnership rights to count towards their targets, and that they continue going out of pocket to stockpile shares only makes their recent behavior more interesting. As the table below shows, each insider who acquired stock in the third quarter currently holds considerably more shares than are required by the guidelines.

Insider	Position	Target	Owned
C. Lebovitz	CB, CEO	49,300	19,239,319
B. Landress	EVP	25,300	417,679
F. Mitchell	SVP	12,700	67,478
E. Snyder	SVP	12,700	558,036
C. Willett	SVP	12,700	89,038
W. Walker	DIR	4,365	29,000

- At this point, most are aware of the Company's second quarter woes and the negative sentiment shrouding the industry as a whole. But CBL currently trades at 9 times forward funds from operations, well below many in its peer group. We are particularly interested to see the announcement of a $100 million stock repurchase program, making this one of the few we can remember that coincides with management buying its own stock. Regarding the buyback, Chairman, Chief Executive **Charles Lebovitz** (70) commented: "At the current price level, we believe that the repurchase of our common stock is an attractive investment and we are excited about the continued growth and profitability of our business" just before spending $2.8 million to exercise 158,000 non-qualified options. We should note this is the first time Lebovitz has ever retained the full amount of shares acquired upon exercising options as he historically executes cashless transactions.

- Two other traders of note are veteran board member **Winston Walker** (63) and Senior V.P., Finance **Farzana Mitchell** (55). Walker was a seller in January, cashing in 4,000 shares at $44. Immediately after the six-month short-swing period expired, he began buying back the shares, picking up 4,100 for his IRA between July 9th and August 13th at an average price of $32. Mitchell historically accumulates stock through option exercises but turned to the open market in May for 13,560 shares and again on August 7th and August 8th, adding another 3,400 shares, including the first shares purchased for the benefit of his child. In all, he spent over $700,000 to add to his position.

Cisco Systems, Inc. (NASDAQ: CSCO)

- Shares of networking giant Cisco Systems are up another 10% since we included the Company in an August 29, 2007 Research Notes that covered the acceleration of selling in the second half of the year. Another focal point of the earlier report was the monetization of options by three different senior officers, who settled for very narrow profit margins on their long-held options months before the options were due to expire. This was the first time in the Company's history Cisco insiders "skimmed" options and the trend continues with three more officers cashing in the same series scheduled to expire in April. It stands to reason that after holding these options for nearly 10 years, these six managers would have held them just a few more months in hopes of increasing the returns if they were confident the issue still had legs. Based on their defensive actions, it would appear they were more concerned with a momentum shift, as the slightest price reversal could leave their options worthless rather than just yielding negligible profits.

- Executive V.P., Chief Marketing Officer **Susan Bostrom** (46), Senior V.P., Director **Larry Carter** (64), and outgoing Chief Financial Officer **Dennis Powell** (59) were the three who cleared out their April 2008 option series in the past month. Bostrom accepted a mere 11% pre-tax profit for 263,749 options on August 31st after historically averaging 101% margins on her options. Her sales in the past 52 weeks reduced her actionable ownership by 45%. Similarly, SVP Carter monetized 300,000 options on September 19th for a 12% profit after never having monetized options for less than 123%. In fact, he last held options set to expire in April 2007 until March and those were much deeper in the money than those he recently acted on. Since CFO Powell announced he would be retiring from the Company in February, we can appreciate he has plenty of options to act on. But rather than starting with the 205,000 options with a $28 strike price, he could have begun clearing out the 300,000 options priced below $20 and held the April series for a few more months if he suspected further upside.

Executive	Min. Profit Margin 3Q07	Min. Profit Margin Historical	Avg. Profit Margin Historical
S. Bostrom	**11%**	30%	101%
L. Carter	**12%**	123%	476%
D. Powell	**11%**	22%	130%

- While Chief Executive **John Chambers** continues spreading his upbeat economic views and confidence in Cisco's market, his lieutenants persistently act in a contradictory fashion. We always contend one's actions speak louder than one's words. On September 5th Executive V.P., Operations, Processes and Systems **Randy Pond** (53), a named executive officer who joined the Company in 1993, adopted a pre-arranged sales plan to sell 2,587,275 shares beginning in November 2007. This announcement came just one week after he had sold 287,485 shares (08/28/07), pushing his year-to-date selling to 707,475 shares. Based on his current actionable holdings (in-the-money options and common stock), Pond has put up for sale, through the 10b5-1 plan, his entire position and all options scheduled to vest through the plan's January 2010 termination date. This is a meaningful turn of events as Pond has actually been the most reserved Cisco seller in the past five years, having disposed of only 850,000 shares. This marks the first time a CSCO insider has covered this much of their ownership with a sales plan.

- The likelihood of Pond taking his 10b5-1 sales out over a three year period is low, as fellow named officer Executive V.P. **Richard Justice** has already sold 75% of the 1.1 million shares registered for sale under his current plan well ahead of schedule. CFO Powell adopted a 10b5-1 plan of his own on September 19th under which he will sell more than 60% of his actionable holdings before his scheduled departure date. Rounding out the recent activity were Chief Globalization Officer **Wim Elfrink** (55), who sold 160,000 shares on August 27th and September 18th at roughly $31 and the most senior board member and chairman of the Audit Committee, **Steven West** (51), who cleared out three non-expiring option series to sell 50,000 on September 4th, erasing 50% of his ownership in the past year.

- On a final note, we were surprised to see the significant compensation increases provided to Cisco executives for the upcoming fiscal year in light of the increased selling volume in 2007. Both Chief Development Officer **Charles Giancarlo** and SVP Justice received salary increases of 80%, while CFO Powell's base jumped 40% even though he had already announced his retirement. Additionally, Giancarlo and Justice received 43% more options than they had in 2006. There was also a noticeable increase in their year-end bonuses from fiscal '06 to fiscal '07.

Fidelity National Information Services, Inc. (NYSE: FIS)

- When Forbes published an article on its website on August 23rd titled "Stocks in the Danger Zone", shares of transaction processing firm Fidelity National Information Services were already trading at $48, well off their third quarter high of $57. The article named the Company as one of Forbes' most dangerous large-cap stocks, citing "FIS has one of the most negative free-cash-flow yields of any stock on the list", further alleging that the Company "would have to grow profits at its current pace for 20 years to justify its current valuation." This is a strong accusation, to say the least, and management's ensuing response hardly convinces us that Forbes is off track.

- One day after the report was released, Executive V.P., Strategic Planning, **Brent Bickett** (42), who is also co-president of sister company Fidelity National Financial (NYSE: FNF), sold 100,000 shares at $47. Combined with his November 2006 sale of 100,000, he has now shed 40% of his ownership in the past year. Two weeks later, Executive Chairman **William Foley II** (62) continued his recent ownership diversification that began in August. Over the past six weeks he has monetized 2.5 million options while also selling an additional 636,000 back to the Company (above board) at market prices. Taking into account the 1 million sold last November, Foley has now erased 60% of his actionable position. The sales generated pre-tax profits of more than $60 million, some of which Foley disclosed would be used to finance his wine industry endeavors. This is in addition to the proceeds from the 1 million FNF shares Fidelity National Financial repurchased from Foley (FNF Chairman) on August 8th, which he also stated would be used for wine investing.

Figure 2. FIS Daily Closing Price, 03/01/07 through 09/27/07. Red diamonds are the dates where the Company's three largest share holders sold 7.58 million shares. Source: Reuters and FIS SEC Filings.

- Shareholders should be a little concerned that Foley, who ranks #4 on Forbes' list of highest paid CEOs, opted to clear out this many shares, of both FIS and FNF, at steeply discounted prices rather than tapping into other sources of capital. Whether or not his explanation is legitimate, the timing of the sales could not have been worse and the fact both companies bought back some of the stock only confirms the respective boards were concerned with the potential fallout if he had sold the full amount on the open market. We also note that Foley has 250,000 shares pledged as collateral for an account with Wachovia. This seems to be a situation where using his shares to secure loans would have been a more appropriate strategy than selling the majority of his position.

- The Company's two largest institutional shareholders, Thomas H. Lee Partners (THL) and Texas Pacific Group (TPG), also sold into the weakness. TPG reported in a 13D that it sold 3 million shares, or 25% of its position, to Bear Stearns on September 5th for $46 per share. On the same day, THL sold 2.95 million shares, roughly 25% of its 6% stake in Fidelity National, on the open market for $46. Executive V.P., Mortgage Processing Services **Daniel Scheuble** (48) apparently got the hint and cashed out his entire position (30,000 shares) two weeks later at $44, more than 30% off the quarterly high. It does not seem a coincidence that the Company's exposure to the mortgage market has pressured the shares and the head of the very division under fire has liquidated his holdings one month before the Company reports third quarter earnings. Investors should be on high alert with the expediency smart money is fleeing this stock.

<u>WCI Communities Inc. (NYSE:WCI)</u>

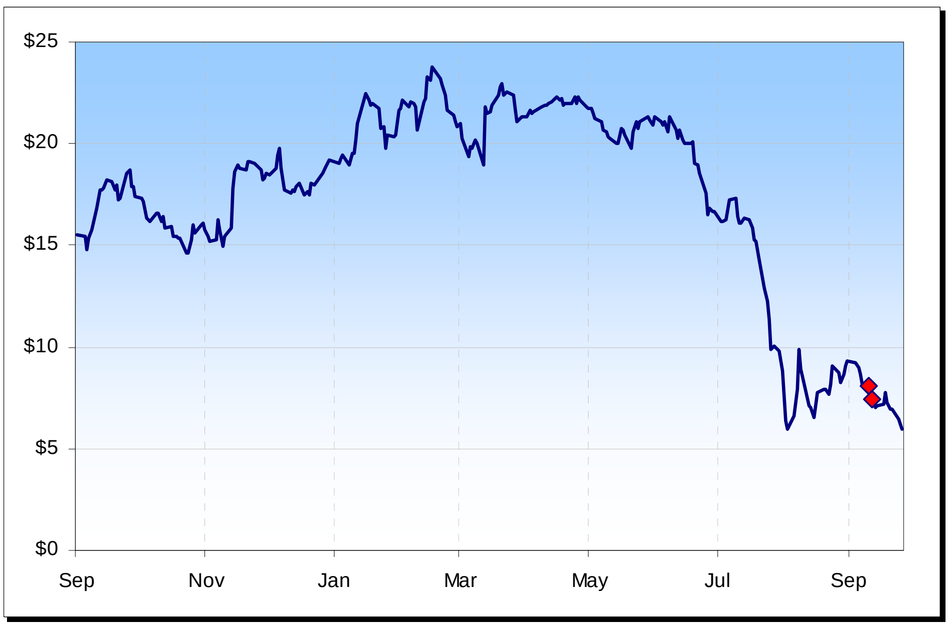
- Although recent stock sales by three insiders at WCI have received ample analyst and media coverage elsewhere, there are certain elements of the trading behavior that are distinctly related to the Company's accounting and disclosure behaviors that have not been covered. **The combination of behaviors has led us to believe we will not see a bottom in WCI shares anytime soon.** We are therefore including our observations in *Research Notes* as a postscript to our coverage of the Company that began back in March of 2005.

- Three insiders sold significant percentages of their actionable holdings between September 10th and 12th after the homebuilder pulled itself off the market and named Carl Icahn its Chairman. Sellers included Chief Financial Officer **James Dietz**, General Counsel **Vivien Hastings**, and SVP and COO of the Tower Homebuilding Division, **Christopher Hanlon**. It is likely that insiders were restricted from trading while negotiations were ongoing with Icahn. The Company reached a "Settlement Agreement" on August 20th with Icahn that avoided a lengthy and costly proxy battle.

- Although the trading behavior of each individual is interesting, Hanlon stands out. A 16-year company veteran, he sold 10,000 shares on September 12th. Since his entire actionable holdings consisted of 36,400 shares of common, the sale accounted for 27% of his position. We do not count his 74,388 vested options as part of his actionable position since they are all underwater with strike prices between $9.08 and $33.97.

Then, on September 25th, it was disclosed in an SEC Form 8-K that Hanlon would be leaving the Company at the end of the year. Whether his departure was voluntary or was the direct result of Carl Icahn and the other outside shareholders seeking a management change in a key area, the fact remains that the fate of the Company will largely hang on the performance of this Division over the next couple of quarters, so Hanlon's trades and unexpected though not surprising departure are most noteworthy to us.

Figure 3. WCI Daily Closing Price, 09/01/06 through 09/26/07. Red diamonds are the dates (9/10 and 9/12) where Dietz, Hastings and Hanlon sold shares. Source: Reuters and WCI SEC Filings.



- Specifically, the Company has pre-sold and has under contract hundreds of tower condos for which it uses percentage of completion accounting, recognizing revenue ratably against the contract value of each unit as construction proceeds, and recording the recognized amounts on the balance sheet as 'Contracts Receivable'. As of 06/30/07, Contracts Receivable stood at $925 million.

  As the real estate market began to cool and then head into a full-fledged nose dive, especially in South Florida, analysts repeatedly questioned WCI management about default rates on its condominium contracts, given that if a buyer failed to close and take delivery of a unit upon completion and defaulted, the Company would be faced with impairment of the associated contract receivable and would have to reverse the revenue already recognized. Throughout 2005 and 2006, the Company maintained that WCI condo buyers were different and not like the speculators driving the condo market elsewhere in the South Florida because they were putting 20% down on their units and were wealthier and therefore much less likely to default.

  In the Q207 SEC Form 10-Q, however, the Company finally acknowledged that many of its buyers were indeed speculators, with significant concentrations of contracts in the names of the same individual buyer or LLC. "An analysis of our tower contracts receivable balance indicates that certain purchasers of our tower units are partnerships and limited liability corporations. Several individual or entity purchasers have multiple units under contract, accounting for several hundred units in the aggregate. Many of these units may be held for investment or speculative purposes. The concentration of contracts to purchase multiple tower units among these entities or individuals may increase the risk associated with our collection of the related contracts receivable balance." [1]

	2007		Q1 to Q2
	Q1	**Q2**	**% Chg**
New Sales (Units)	12	11	-8.3%
Contract Value (Mil $)	$21.7	$12.6	-41.9%
Contract Value/Unit (Mil $)	$1.81	$1.15	-36.7%
Defaults (Units)	19	68	**257.9%**
Contract Value (Mil $)	$24.5	$67.1	173.9%
Value/Defaulted Unit (Mil $)	$1.289	$0.987	-23.4%

- Similarly, the Company's disclosures regarding the actual defaults on its condominiums have routinely been obfuscated, and that has continued in the Q207 10-Q. It is quite evident that defaults accelerated dramatically in Q2 as shown in the table above, while far outstripping new sales. As dramatic as the increase in defaults was in Q2 (up 258% sequentially), the Company also disclosed that an additional 88 units were completed during the quarter but did not close. "Our contracts receivable balance at June 30, 2007 includes approximately $82,700 related to 88 tower units sold but that have not closed although the tower buildings have been completed. As of August 17, 2007, the number of unclosed units has been reduced to 62, totaling approximately $51,100 in contracts receivable. Although we have reserved for an estimated 31 defaults associated with the 62 unclosed units, we have granted these tower buyers extensions to close and expect many of these closings to occur in the second half of 2007. Our actual contract defaults may be higher or lower than our current estimates." [2]

  As in the past, it appears that the situation is worse than the Company is willing to let on regarding the all-important tower condo segment, underscoring Mr. Hanlon's recent trades and abrupt announcement of his departure. Whether or not Mr. Icahn can force more transparency in this vital area for his own benefit and that of other shareholders remains to be seen.

[1] WCI Communities Inc. SEC Form 10-Q, for the three months ended 06/30/07, filed 08/22/07, page 29.
[2] Ibid. page 12. Dollar amounts shown are in thousands of dollars.