3D ADVISORS

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

Insider Research Bulletin

April 22, 2005

Contact: Bob Gabele (954) 779-3974 or bgabele@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.

Insider Research Bulletin is published periodically and exclusively for 3DA Research subscribers.

Companies in this Bulletin

- Pride International Inc. (NYSE:PDE)
- Scientific Games Corp. (NASDAQ:SGMS)
- Triad Hospitals Inc. (NYSE:TRI)

Discussion of 3DAdvisors Findings

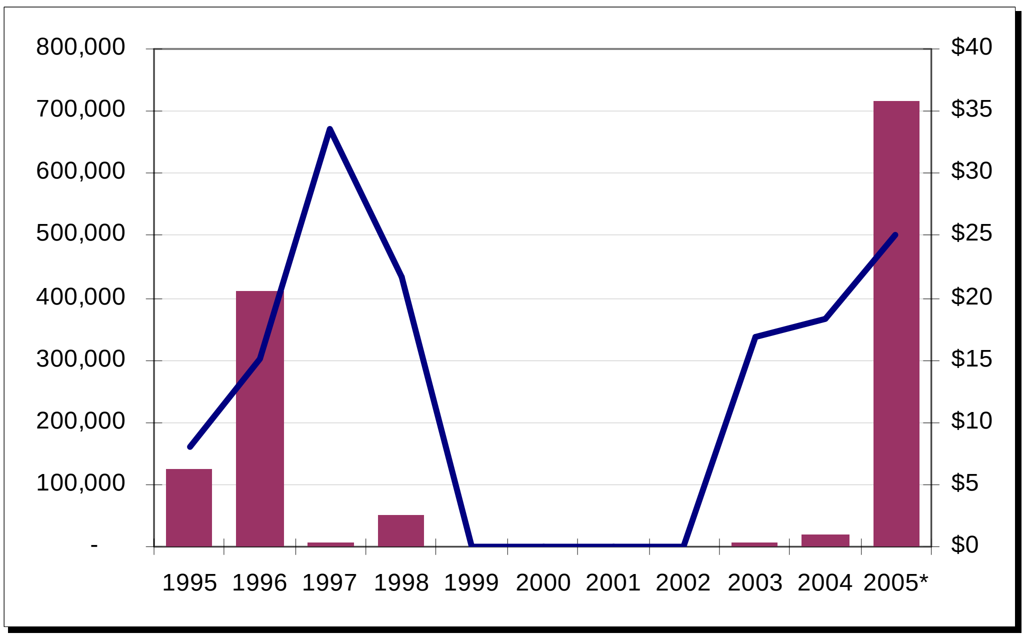
Pride International Inc. (NYSE: PDE)

We have been closely monitoring escalating distribution by insiders at a growing number of Oil Service companies for a while now and have reported significant developments at Smith International (NYSE: SII) in the March 9th *Insider Research Bulletin*, followed by Cal-Dive International (NASDAQ:CDIS) and Baker Hughes (NYSE: BKS) on March 18th. We now turn our attention to Pride International, where eight insiders sold 717,100 shares from March 28th through March 31st between the prices of \$22.74 and \$25.50. We acknowledge that insiders have been also selling into strength in a number of Exploration & Production companies of late as well. Insiders at Oil Service companies, however, have a better track record with the timing of their significant sales than do E&P insiders, consequently, our focus remains on this group as the selling spreads, at least for the time being.

Pride insider behavior is a great example of a sentiment reversal that may have gone unnoticed by analysts. We say this because, given the high number of options granted to Pride insiders in recent years, option positions have been building, and subsequently vesting, which has virtually eliminated the need for them to turn to the open market in order to accumulate shares. In fact, there has been a lengthy period of option vesting with little profit taking. Between 1999 and 2004, insiders sold a ***total*** of just 26,044 shares, and for part of this period (much of 2000 and into early 2001) the shares traded at higher prices than what we see them being sold for today.

The current round of aggressive selling represents a clear reversal of sentiment as insiders are finally monetizing significant portions of their holdings, and this while new option grants have significantly fallen off.

Figure 1. Shares Sold by PDE Insiders (Red Bars and Left Scale) and Weighted Average Price of Shares Sold (Blue Line and Right Scale). Source: PDE SEC Filings



* Shares reported sold through 4/20/05 only

Reasonable selling at the current prices is certainly expected, as the stock has nearly doubled over the past six months. But the recent activity, which transpired just as oil prices surged to new highs, has certainly traversed our "reasonable boundary" thinking. What's more, the timing of the sales is very curious to us, as the Company has undergone fairly dramatic cost cutting measures to reduce its high debt, which according to CFO **Louis Raspino** (who recently sold 83% of his holdings) is "still not on par with most of our other peers." His actions - as well as those by other selling insiders - certainly seem at odds with statements made during the fourth quarter conference call that the cost cutting has the Company back on track. What also has our attention is the fact that the recent selling comes during a period when we're seeing an unusually high number of top Company managers leave, many of whom are well short of retirement age. Table 2 below provides a list of some of the more visible resignations/retirements.

Table 2. Resignations and Retirements of Selected PDE Insiders. Source: PDE SEC Filings and Press Releases.

Name	Position	Date	Age
James Allen	COO	January 2004	60
John O'Leary	President	September 2004	48
Marcelo Guiscardo	VP, E&P Services	January 2005	52
Jonathan Talbot	VP, Marketing	April 2005	42
William Macaulay	Chairman	*May 2005*	59
Jorge Estrada	Director	*May 2005*	57

In addition to the selling insiders, the activity by an outside shareholder warrants mentioning. First Reserve Corp., which initially made a sizeable investment in Pride in 1999 and at one point was the Company's largest shareholder, has been dumping large amounts of stock over the past year. Its 19.5 million share position (14.5% of the outstanding shares) in April 2004 has now been trimmed down to 8.01 million shares equal to a 5.7% stake. First Reserve, which is headed by Pride's departing chairman **William Macaulay**, is entitled under its shareholder agreement to have one person on Pride's board as long as it maintains a 5% ownership stake. Following Macaulay's resignation, First Reserve has stated that it will not be appointing a new board member, which leads us to believe that it will continue to sell its position. Most recently, First Reserve and its affiliates sold 7.02 million shares between March 29th and April 20th.

- **Louis Raspino (52)** – Executive V.P., CFO. On March 29th Raspino exercised all his vested options, comprised of two series with plenty of time remaining before expiration (expiration dates: 12/13, 1/14), and then monetized all 170,000 shares at $25. The sale, which was his first since joining the Company in December 2003, **wiped out 83% of his holdings** and leaves him with just 34,400 shares of common stock. Raspino is the only seller of this group who will have a noteworthy replenishment of newly-vested options during the course of 2005, as he will have 60,000 options vest on June 3rd and another 60,000 vest on December 3rd. The reason he has more to-be-vested options than the others is that he received these in a new hire grant upon coming on board, not as part of a Company Plan. Nevertheless, even considering his forthcoming June vesting of 60,000, he has trimmed his holdings by an appreciable amount with this recent transaction.

- **Steven Oldham (36)** – V.P., Treasurer. Though he's served in various financial and administrative positions since 1998, it wasn't until May 2004 that Oldham initially registered as a Section 16 insider. Despite the fact that we have limited trading history to help determine the significance of his activity, the transaction itself yields enough information for us to label it noteworthy. Oldham reported owning eight different options series in May 2004, each of which has either vested in full or is partially exercisable at the present time. On March 29th, he exercised five different series (expiration dates: 9/08, 7/09, 7/11, 1/12, 1/13) with plenty of time remaining before expiration, sold the 35,000 shares he acquired, and then sold an additional 1,123 shares out of his common holdings. In all, the sale **leaves his holdings 75% lighter**, with only 12,500 options vesting by year end.

- **W. Greg Looser (35)** – Senior V.P., General Counsel, Secretary. Add Looser to the list of Pride execs surfacing for the first time to lock in gains. On March 29th, Looser cleared out a substantial amount of his vested options, which consisted of five series with expiration dates ranging between May 2009 and January 2013. He then sold all 32,327 shares, his first disposition since initially filing as a Section 16 insider back in December 2003, **trimming his position by 55%**. Looser will have 15,000 more options vest in July.

- **John Blocker (53)** – Executive V.P., Operations. Blocker has served in a variety of roles since joining the Company in 1993, but was promoted to his current position in January 2004. Shortly after the promotion, Blocker executed only his second transaction (he first sold 6,000 shares in September 2003), disposing of 15,000 shares in June of 2004 at $15. Blocker's selling has become more aggressive recently: on March 29th he exercised options from four separate series (expiration dates: 3/05, 1/06, 9/08, 12/08) and sold the newly-acquired 134,600 shares at $25. The sale dropped his holdings by 20%.

- **Paul Bragg (49)** – President, CEO. Bragg, a Pride executive since 1993, had never sold shares prior to his recent activity, choosing instead to grow his holdings from the vesting of stock options. Though his sales on March 28th and March 29th, totaling 300,250 shares, put only a small dent in his now 1.6 million share position, we are more interested to see his constituents following his lead with their own noteworthy sales. Bragg cleared out four series of options (expiration dates: 3/05, 2/06, 8/06, 9/08) that he has held for a number of years, 75% of which were not near expiration.

Scientific Games Corp. (NASDAQ: SGMS)

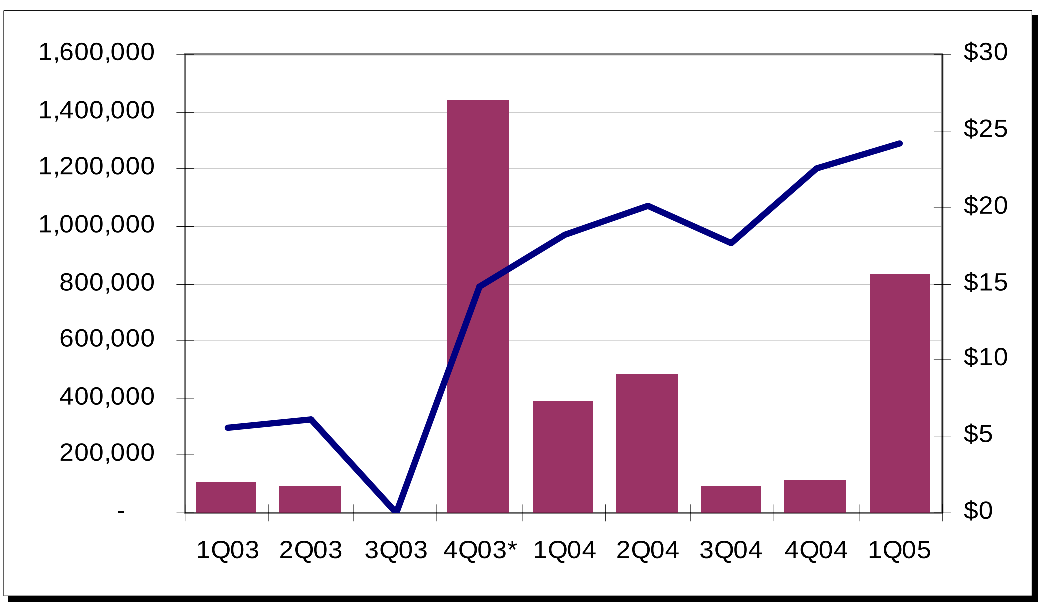
It could be that shares of lottery gaming companies GTECH Holdings (NYSE:GTK) and Scientific Games may have topped out. To us, this first appeared to be the case at GTK when the shares dropped from their highs of $32 in April 2004 to $20 by August, and have since leveled off at $24. It was back in October that insiders had given some good signals (which we highlighted in the *Insider Research Bulletin* of 10/22/04 and in a full report on 10/29/04) as insiders unloaded large amounts of shares into weakening price strength. The timing of their activity still seems prescient, as the issue has yet to rebound past the insider selling price.

Now, it seems that a similar situation has evolved at Scientific Games, as insiders began to lighten their positions into a recent two-week, 15% slide that ensued when Wall Street showed little interest in the Company's solid 4Q04 and full-year results. The focal point here is that insiders, who had previously sold only into price strength in 2003 and 2004, have, for the first time, begun cashing out at the first sign of weakness, and in surprisingly high volumes when compared to past behavior. From February 28th through March 24th nine of them sold 834,961 shares as the issue slid from $25.78 to $22.50.

Figure 2. SGMS Daily Closing Price, 04/01/04 through 04/21/05. Blue shaded area is where nine insiders sold 834,961 shares. Source: Reuters and SGMS SEC Filings.

As you can see from Figure 3 below, insiders sold seven times more in 1Q05 at an average price of $24 than they had in the 4Q04 at an average price of $22. In fact, the volume in the first quarter was the second heaviest on record for the Company.

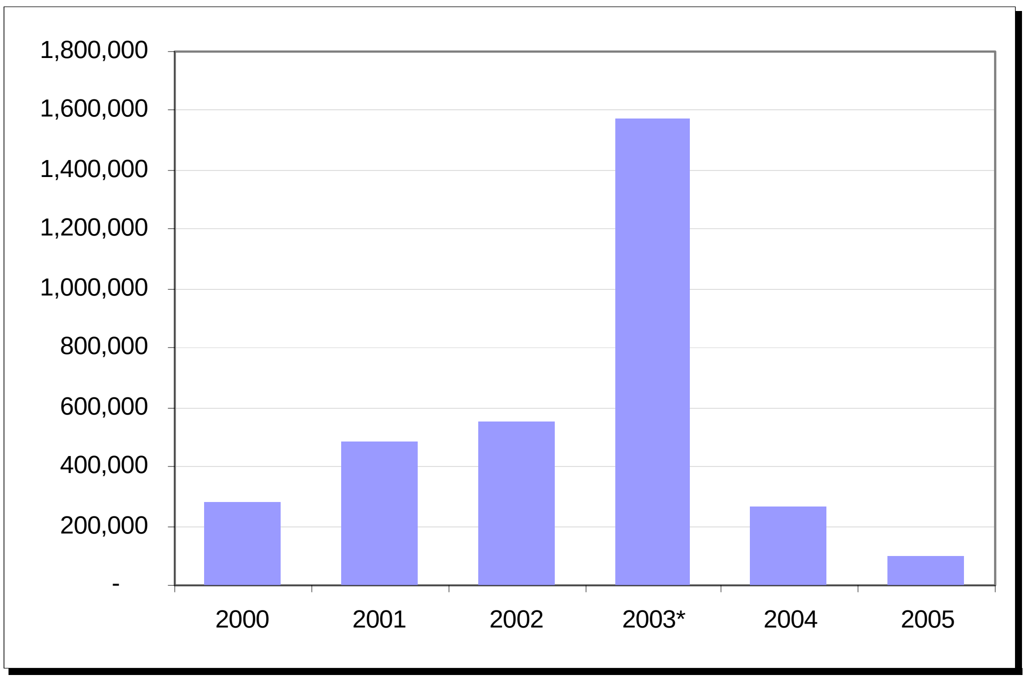
Figure 3. Shares Sold Quarterly (Red Bars and Left Scale) and Weighted Average Price of Shares (Blue Line and Right Scale). Source: SGMS SEC Filings.



* One-third of the shares sold in 4Q03 were distributed by departing director Alan Zakon

One pattern we've been closely monitoring is heavy insider selling at companies that have pared back their stock option awards. As we approach the transition for companies to expense employee stock options, we anticipate a number of companies, especially those in the tech sector, will begin to grant fewer options to their employees. Once this happens, insiders, primarily those who have already monetized a large percentage of their vested options, will find themselves with less flexibility to take profits. Since SGMS execs had been awarded sizeable grants between 2001 and 2003, their holdings had been replenished despite moderate selling. However, option awards in 2004 were at their lowest level in a number of years and from what we've seen so far, 2005 awards will come in even lighter. There's more here as well: The Company has not been issuing restricted stock awards (in any material amount) in lieu of stock option grants.

Figure 4. Aggregate Options Granted to SGMS Named Executives. Source: SGMS SEC Filings.



* CEO Weil was granted one million options in 2003 in connection with his new Employment Agreement

A few points of interest: though the Company would like shareholders to believe its board is comprised of mostly independent directors (SGMS classifies eight of nine board members as independent), we see differently. In October 2003, Mafco Holdings Inc., a subsidiary of MacAndrews & Forbes Holdings Inc., acquired approximately 24% of the equity and voting power of the Company. Under its shareholder rights agreement, Mafco was entitled to place four of its members on SGMS's board. Though it designated three, **Ronald Perelman**, **Howard Gittis** (chairman of the Compensation Committee) and **Barry Schwartz**, Mafco waived its right to designate a fourth. However, Perelman was able to coerce SGMS to "agree to use its best efforts to have Mr. [Peter] Cohen nominated for election." Shortly thereafter, Cohen assisted in bringing fellow Titan board member **Joseph Wright** to Scientific Games' board in 2004. Oddly enough, with the exception of Cohen, none of these directors were involved in the recent selling.

We are interested in this sort of board "camaraderie" because of the tendency for it to lead to loose governance practices, as evidenced by the related party transactions below.

- Vice Chairman Peter Cohen is the President of Ramius Securities, which is an advisor to Scientific Games in connection with certain acquisition, investment or financing transactions.

- Luke Weil, the son of Chairman, CEO A. Lorne Weil, is a consultant to Business Strategies & Insight, LLC, a public affairs consulting firm that assists SGMS in strategic planning relating to its business with governmental customers. Luke Weil devotes the majority of his time at BSI to the Scientific Games account.

- There are three SGMS executives who have family members working for the Company, earning salaries ranging between $80K and $125K.

Another governance issue that we are keeping our eye on is the recent timing of option grants. The Compensation Committee (chaired by a Mafco executive) has customarily issued awards in the fourth quarter. After issuing options in December for FY2004, they then gave grants one month later for FY2005 after the issue dropped 8%. This was not only the first time we've seen the Company award options in back-to-back months, but also the first time SGMS has ever granted options in the first quarter.

- **Cliff Bickell (61)** – President, Printed Products. Though he's been with SGMS, or an affiliate of the Company, since 1995, Bickell didn't begin selling until November 2003, once the issue broke above $15 for the first time in the Company's history. Since those first sales, he has sold at a consistent pace as the issue continued to set new highs. However, there was a noticeable change in behavior when Bickell sold 54,250 shares between March 2nd and March 7th at roughly $25. In the past, he had always exercised one option series at a time, selling only those shares exercised for. Now, however, Bickell has exercised two series, not set to expire until at least December 2010, which he liquidated then tapped into his existing holdings for the balance sold. In all, the selling **dropped his holdings by 50%**, the largest reduction of any of his prior sales.

- **DeWayne Laird (56)** – V.P., CFO. Laird's story is quite similar to that of his peers. He has sold just twice since 2003, both times into strength. This time, however, he has sold into a weaker stock price, dropping 80,000 shares at $22 each (March 14th and 15th), clearing out three non-expiring options (expiration dates: 10/07, 5/08, 10/08) and **wiping out nearly 40% of his position.** This leaves his holdings at their lowest levels since 2002.

- **Lorne Weil (49)** – Chairman, CEO. Weil sold 228,000 shares out of his common holdings on March 4th at $24, which is actually lighter than his two prior rounds of sales. Since taking over the chief executive position in 1992, Weil had only sold 336,000 shares in December 2003 and 373,000 shares in 2Q04. The cumulative amount of shares he's sold over the past 16 months has had very little effect on his holdings, since he'd been awarded 2.04 million options between 2001 and 2004, a number of which were granted with preferential vesting criteria.

- **Martin Schloss (57)** – V.P., General Counsel. Schloss exercised two series of options expiring at the end of the year and sold all 100,000 newly-acquired shares after the issue slid 15% to $22. The sale was only his second in the past ten years, and **reduced his actionable position by 25%**.

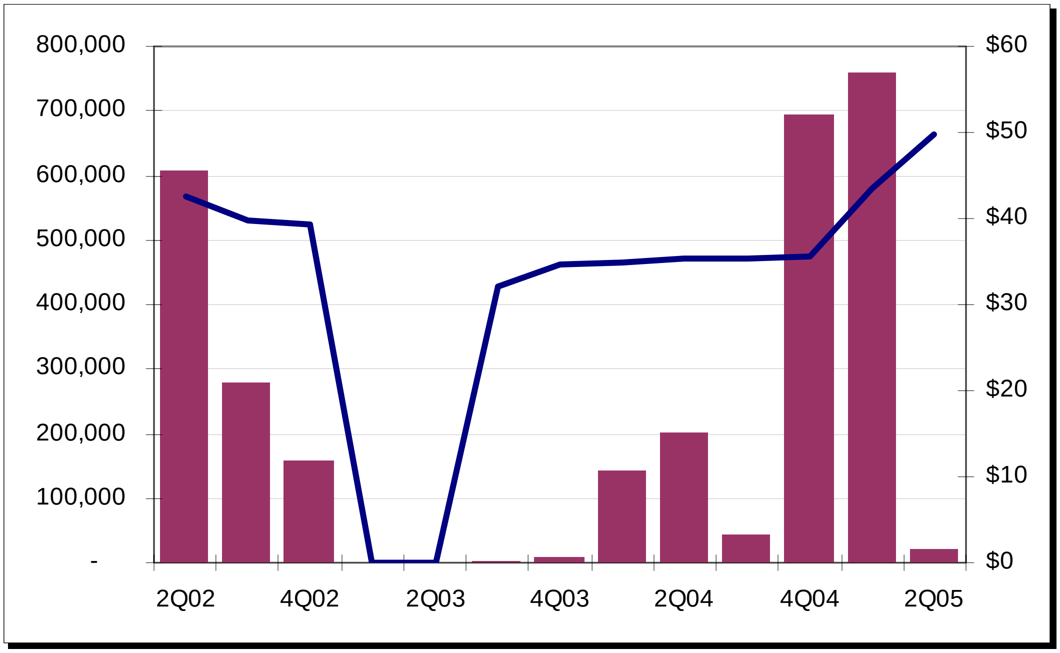
There's more here: Recent distributions by a number of board members are as striking as those of the executive team. **Colin O'Brien (65)**, chairman of the Audit Committee, sold more shares (50,000 shares equal to 84% of his holdings) than he had sold combined since joining the board in 2000. Directors **Brian Wolfson (68)** and **Eric Turner (48)** sold 86% and 43% of their holdings, respectively, while Vice Chairman **Peter Cohen (57)** sold 251,516 shares after selling only 500 shares since joining the board in February 2003. Cohen sits on the boards of four additional companies, but hasn't sold shares in any of those companies in the past two years. In fact, he recently purchased over $2 million of Titan (NYSE:TTN) shares.

Triad Hospitals Inc. (NYSE: TRI)

Triad Hospitals insiders haven't been shy distributing shares in the past, but after months of following the activity, we are now seeing a new aggressiveness not evident before. The volume since 4Q04 is off the charts and has even surpassed the heavy selling last seen in mid-2002 at comparable prices, before Tenet Healthcare's Medicare gaming scandal dragged down other industry players. But now, after Triad insiders monetized a large number of their shares in the fourth quarter, fifteen insiders sold 733,177 shares from February 1st through April 1st at an average price of $44, which have led to unprecedented position reductions. Not only are we seeing these execs exercise options that vested in past years, but they also monetized a majority of the options that just recently vested in February.

Some might downplay the selling, choosing to write it off as routine profit-taking resulting from the issue's momentum. We don't debate that the stock's strength provides motive, but we also see another catalyst. On February 10th, Triad issued a press release announcing that **Burke Whitman**, the Company's chief financial officer since 1999 and a reserve officer in the United States Marine Corps, would be recalled to temporary active duty in March. A subsequent release was issued on March 15th when Burke left the Company. To minimize the impact, the Company disclosed that they "expect Mr. Whitman to remain involved in its strategic and other significant decisions through electronic and telephonic communications." We're not able to foretell if Whitman will be able to fulfill these expectations, but the recent selling leads us to believe that morale within the finance department might not be that high. On March 15th, the day his departure became a reality (at least to the investment community), COO **Michael Parsons** and Whitman each sold outside of their 10b5-1 trading plans and let go of 50,000 shares apiece, which in Parsons' case, was his largest sale since the Company was spun off from HCA in 1999. Individual trades outside a 10b5-1 plan aren't that uncommon, but when two execs give up safe harbor protection to sell on the day of a material news release, investors are well justified in taking notice.

Figure 5. Quarterly Shares Sold (Red Bars and Left Scale) and Weighted Average Price of Shares Sold (Blue Line and Right Scale). Source: TRI SEC Filings.



But that's not all. Shortly after the initial announcement in February, the top three finance department execs asked to carry the load began to make uncharacteristic sales of their own. Treasurer **James Bedenbaugh**, Senior V.P., Finance **William Huston**, and Controller (acting CFO) **W. Stephen Love** sold 99%, 50%, and 65% of their holdings, respectively. Their combined sales, which totaled nearly as many shares as the three sold in aggregate over the past five years, **accounted for one third of the total shares distributed in the recent round**. Though the Company stated that Whitman's departure wouldn't have a significant impact on its operations, the actions by the finance execs leaves us unconvinced.

- **James Bedenbaugh (56)** – Senior V.P., Treasurer. Between March 1st and March 24th, Bedenbaugh exercised four series of non-expiring options (expiration dates: 4/11, 2/12, 2/13, 2/14) and sold all 65,500 shares, his first activity since joining the Company in 2001. Not only did Bedenbaugh clear out all of his vested options, but since he only holds 175 shares of common stock in a retirement plan, he **monetized his entire actionable position** (exercisable options plus common stock). The selling takes on an even greater significance when you consider that over the past four quarters, Bedenbaugh has only had a total of 17,750 new options vest, far less than what he recently sold. We should point out that he will have 8,750 new options vest by month's end, but that is all for the remainder of the year.

- **William Huston (50)** – Senior V.P., Finance. Like Bedenbaugh, Huston doesn't hold any common shares directly, though he does own 2,590 shares in retirement and stock purchase plans. Since his common holdings are so light, we became interested when he recently monetized a significant portion of his vested options. And when you take into account that he has only held two prior rounds of selling since 1999, once in May/June 2002 and again in February 2004, and each time preceding volatility, his trades need to be noted. On February 25th, just weeks after the financial division shakeup, Huston exercised three options series not set to expire until May 2009 at the earliest, and sold all 87,182 shares at $43. The sale **wiped out 50% of his holdings**, which won't be replenished in the near term as he doesn't have any options vesting by yearend.

- **W. Stephen Love (53)** – Senior V.P., Controller (acting CFO). Love has been an infrequent trader since joining the Company in 1999. He first sold 20,000 shares in May 2002 at $42, and then became more aggressive just as the shares got more volatile with a 55,000-share distribution in August. The issue closed down 25% for the year. He didn't resurface until January 2005, after he filed a 10b5-1 trading plan and immediately sold 41,382 shares as the stock rebounded to 2002 prices. Then on February 25th, the same day that Huston scaled back his holdings, Love monetized 60,000 of his 78,000 vested options (two series with expiration dates in February 2012 and February 2013), and has effectively **trimmed his holdings by 65%** since he adopted the trading plan in January. This definitely isn't the vote of confidence investors would've hoped for after he was asked to temporarily assume CFO responsibilities. Love will have 10,000 new options vest over the next ten months.

- **Michael Parsons (49)** – Executive V.P., COO. Parsons' recent activity gives us an indication that he might have some reservation about the movement within the finance department. Parsons has been selling under the cover of a prearranged trading plan since January 2004, selling exactly 9,000 shares per month without interruption. That was until March 15th, the day Triad issued a press release disclosing who would be handling Whitman's responsibilities, when he went out of plan to dump 50,000 shares at $44, marking his largest sale since the Company was spun off from HCA back in 1999. The sale occurred even though he had already made his planned March sale of 9,000 shares, which he followed up with a subsequent plan sale on April 1st. Though it is not unheard of to see an insider go outside of their plan to execute sales, keep in mind that they give up safe harbor protection offered by the 10b5-1. In all, Parsons sold 77,947 shares between February 1st and April 1st, which only shed 17% from his holdings.

In addition to the above-mentioned sellers, there were a number of other executives with noteworthy activity. Division presidents **Marsha Powers (51)**, **William Anderson (55)**, and **Nicholas Marzocco** sold 90%, 40%, and 46% of their holdings, respectively, while Director **Donald Halverstadt's (70)** 50,000-share sale accounted for 50% of his position. Powers sold nearly as many shares on March 4th as she had between 2001 and 2004, while Halverstadt's sale was his first since joining the board in 1999.