



This 3DAdvisors Report Covers:

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

Insider Research Bulletin

October 11, 2007

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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

- ▶ Leucadia National Corp. (NYSE: LUK)
- ▶ Oracle Corp. (NASDAQ: ORCL)
- ▶ Synaptics Inc. (NASDAQ: SYNA)

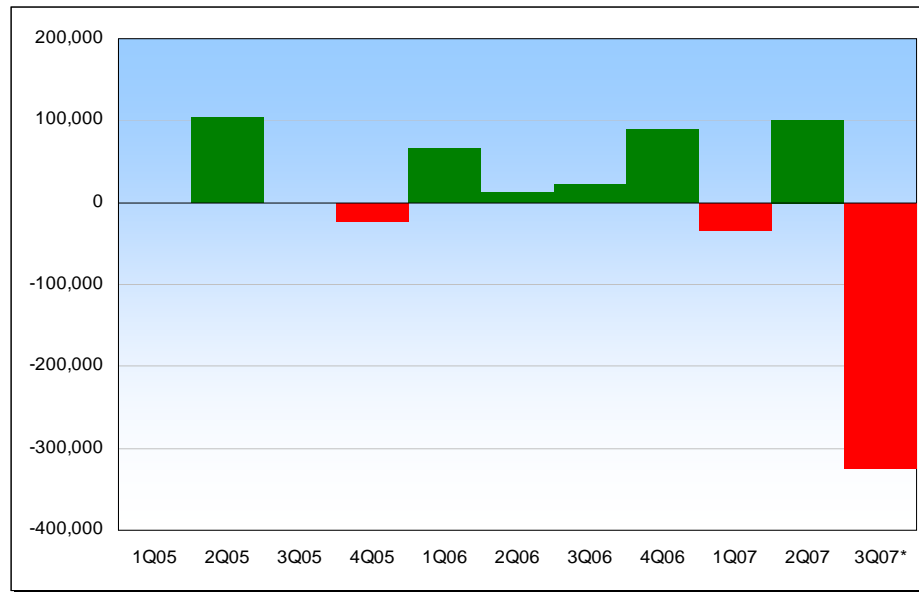
Discussion of 3DAdvisors Findings

Leucadia National Corp. (NYSE: LUK)

Leucadia National’s management team is infamous for adhering to a “no comment” policy, whereas it does not hold quarterly or annual conference calls, take analyst or shareholder phone calls, attend investor conferences, or even comment on earnings. Similar to Berkshire Hathaway, to which its business model and investment strategy is regularly compared, the only commentary issued by the Company comes in the form of a year-end “Letter from the Chairman and President”. While this might complicate gauging management’s expectations throughout the year, we have always had a pretty firm grasp on the general sentiment based on executive stock trading decisions. Insiders were net acquirers of stock, exercising options and buying on the open market, between Q205 and Q207, during which time Leucadia shares appreciated more than 100%. The pendulum has swung in the third quarter, as four officers unloaded 335,097 shares between August 21st and September 28th at an average price of \$46. While Figure 1 below illustrates their quarterly net acquisitions and dispositions

dating back to 2005, it falls short of indicating the fact that more shares came out in Q3 than any other quarter dating back to 1998.

Figure 1. Quarterly Net Share Acquisitions and Dispositions for Leucadia National Insiders. Green bars indicate purchases exceeded sales by the amount shown; Red bars indicate sales exceeded purchases by the amount shown. Source: LUK SEC Filings and 3DAdvisors, LLC.



* Reflects purchases and sales filed through 10/10/07

The timing of this collective sell-off is suspicious on a number of fronts. For one, the Company reported unimpressive results for the first six months of the year on August 8th. Total sales increased 4.8%, but the gains stemmed from the addition of revenues from two companies, ResortQuest and STi Prepaid, acquired during the year. Excluding the sales from these two businesses, revenue for the first half of the year would have declined 4% from the same period last year. These same new operations contributed to roughly 40% of the \$27.8 in reported net income before taxes, which was down from the \$153 million gain recorded through the first two quarters of 2006. We are also very interested in the fact the majority of shares sold in September came out *after* the Company announced the pricing of a \$350 million debt offering (increased to \$500 million one day later) along with a common stock offering of 5.5 million shares. This is notable because it was only last March when the board authorized the repurchase of 12 million shares of Company stock, the largest-ever buyback program we could find. We wonder why, after proclaiming in the second quarter SEC Form 10-Q to have its liquidity needs met, Leucadia is going back to the underwriters for its second bond offering of 2007, and selling stock to boot. The stated “general corporate purposes” justification just does not fly with us and we intend to dig deeper into this matter.

Another point we can not explain is the stock price’s resiliency in the face of the Company’s housing market exposure. Half of Leucadia’s 2006 revenues came from its Idaho Timber subsidiary and domestic real estate operations. Idaho Timber’s primary product is dimension lumber, which is used for general construction and home improvements. The demand for this particular lumber is directly correlated with housing

starts. Obviously, this has hardly been the most lucrative market in the past year (Idaho Timber revenues declined 16% from first six months of 2006), similar to the Company's real estate operations, which include residential land development.

The Company has taken steps in 2007 to diversify its portfolio, buying telecommunications and property management businesses, but 30% of revenues through 2Q07 still came from the above-mentioned operations. It might just be a matter of time before the investor community catches on that Leucadia is not nearly as profitable as it has been in recent years, and with a trailing P/E of 100, the stock could fall hard when that happens. It would seem that Leucadia's management hierarchy might have similar concerns, as the four officers who surfaced in the third quarter shed 61% to 100% of their ownership. Two of these executives, CFO **Joseph Orlando** and Executive V.P., Treasurer **Thomas Mara** have a combined 30 years overseeing the Finance Department. It is not encouraging to see these two selling days after orchestrating the debt and stock offerings.

There are a few governance issues we feel need to be pointed out. It would seem that, with 25% of the Company's shares in the hands of Chairman **Ian Cumming** and President, Director **Joseph Steinberg**, they have taken liberties in their compensation guidelines that do not befit a company of this scale. But then again, this might help explain the lack of interaction with analysts and shareholders.

- ✓ **Compensation for senior officers is at discretion of Cumming and Steinberg:** "Neither the Compensation Committee, nor Messrs. Cumming and Steinberg, rely on any specific formula, benchmarking or pre-determined targets. In making their recommendations to the Compensation Committee, Messrs. Cumming and Steinberg focus primarily on their subjective determination of the performance of the individual executive officer, as well as on the performance of the Company."
- ✓ **Annual Bonuses for Cumming and Steinberg are fixed:** Under the terms of their 10-year employment agreements that last through 2015, both receive an annual cash payout equal to 1.35% of the audited pre-tax earnings of the Company. For 2006, this amount came to nearly \$4 million.
- ✓ **No succession plan in place for Cumming (66) and Steinberg (63):** The Company has yet to disclose a formal succession plan. Yet, they did amend a section of their Shareholders Agreement last year that stipulates the Company repurchase \$125 million of stock from the estate of either insider in the event of a death. The cap had been set at \$50 million. Plus, in the event of a termination or death, they, or their beneficiary, are to receive their base salary through the end of their employment agreement (2015).
- ✓ **The Company willingly discloses that stock options are not granted according to a set schedule.**

It is in instances such as this, when companies choose to offer little to no analyst guidance whatsoever and very little meaningful information of any kind to investors, the behavior of insiders tends to be the most important indication of actual management sentiment. In this particular case, their actions speak volumes to us:

- **Joseph Orlando (51)*** – V.P., Chief Financial Officer. Orlando has served the Company for nearly 14 years, which is roughly around the time of his last sale. He has spent the past few years accumulating stock through the exercise of options, either purchasing the shares outright or turning in some stock to cover the exercise costs and related taxes. Apparently, the recent price gains tempted him to shift strategies as he sold a total of 161,715 shares, **equal to 85% of his actionable holdings**, on September 5th and September 24th at an average price of \$45. In addition to monetizing all 51,000 of his vested options (expiration dates: July 2008 and January 2011), he also cleared out the common he had acquired in 2005 and 2006. With only 38,000 options scheduled to vest through the end of 2008 (see Appendix A), it would seem he does not anticipate the issue will remain at the current levels for too long as he compromised any future profit taking opportunities.
- **Thomas Mara (61)*** – Executive V.P., Treasurer. Mara's trading history is very similar to Orlando's, as he was a net acquirer of shares in the past five years, adding 66,000 common to his position in early 2006. His last sale occurred in August 2000. Most recently, Mara sold 121,782 shares between August 21st and September 28th at either \$44 or \$48. **The shares accounted for 61% of his ownership**, which are now at their lowest level in five years. He will have 44,000 options vest in January, but that will be it for the remainder of 2008 (see Appendix A).
- **Justin Wheeler (34)** – V.P. Wheeler has been with the Company for more than seven years, but filed as a Section 16 insider only in October 2006 upon assuming his current position. He surfaced on September 24th to execute his first sales, and by September 26th, exercised all 41,000 vested options at his disposal (expiration dates: July 2008 and January 2011) and sold 36,000 at roughly \$47. While he did in fact retain 5,000 shares, **the net result was the disposal of 85% of his actionable equity**. Some of the shares diversified away will be replaced in January when he vests in 22,500 options (see Appendix A), but the action clearly shows his intent to limit his exposure to LUK shares at the current highs.
- **Joseph O'Connor (age not disclosed)** – V.P. There is actually very little we know about O'Connor since the Company does not list officers on its website and he has shown up in very few corporate filings. An internet search also revealed very little. What we do know is that he became a registered insider in May 2007 and on September 28th **cleared out all of his actionable holdings**, 15,600 shares, at \$47.80. Although we do not fully understand his role at the Company, he represents the fourth of six filing executive officers to sell more than 60% of his ownership in the third quarter. O'Connor will have 14,000 options vest in 2008 (see Appendix A).

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

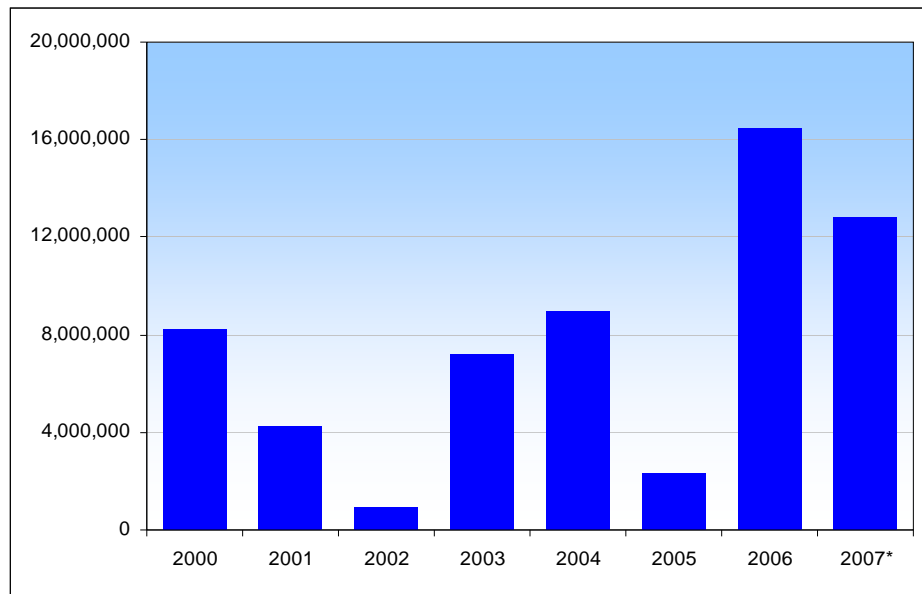
Oracle Corp. (NASDAQ: ORCL)

When a company's largest inside shareholder unwinds a 1 billion share ownership position, it tends to overshadow the activity of other registered filers. This is the case at Oracle, where the sales of **Larry Ellison's** lieutenants, who collectively hold 36 million shares of their own, have had their trading activity seemingly unnoticed by the

media and investor community. Even if we exclude Ellison's sales, Oracle stands alone¹ at the top of the list for insider distributions over the past two years at any mid or large-cap firm in the stock universe. But while we did not see justification to issue coverage at the onset of this trading development, the continuance of prodigious sales, along with a new disclosure concerning Ellison's ownership, have caused us to change our minds and cover the activity here. Although we are now only in the earliest stages of examining other details involving the Company, the trading behavior alone compels us to highlight the name even though (or perhaps because) sell-side analysts remain quite bullish.

A primary reason we had discounted the insider selling in the past was the abundance of stock options granted to senior executives. Between 2005 and 2007, Oracle's five "named" executives received a total of 35.5 million options. To put this into perspective, Qualcomm, Cisco and Yahoo, three of the most generous option issuers, awarded 8.9 million, 8.7 million and 5.4 million to their top five officers during their past three fiscal years. Because of these staggering Oracle awards, their already-sizeable ownership positions had hardly been affected by their sales in recent years, as the annual vesting of their compensation grants replenished what had been disposed. But their trading pace, which has been accelerating over the last 52 weeks, has quickly reversed this trend. Excluding the 22 million shares sold by Ellison, the total selling volume since last October tops 20 million shares, nearly twice the volume in any year dating back to 1996. In the last three months alone 8.2 million insider-owned shares traded hands.

Figure 2. Annual Selling Volume of Oracle Insiders (excludes CEO Larry Ellison's sales), 2000 through 2007. Source: ORCL SEC Filings.



* Sales filed through the evening of 10/10/07

¹ Microsoft's Bill Gates sold 115 million shares in 2006 and 2007, but the remaining MSFT insiders sold only 2.2 million.

Here's where the story becomes a real eye-opener: despite all of the options granted in recent years, a number of Oracle's highest ranking officers monetized the majority of their positions in the wake of the Company's fiscal Q1 earnings release that exceeded all expectations for both sales and earnings, prompting a number of analysts to raise their price targets. Co-President and Director **Charles Phillips Jr.**, a highly-regarded industry veteran, cashed out 2.1 million shares, leaving untouched only the 5,000 in common he is required to hold under the Company's ownership guidelines. Similarly, **Derek Williams**, who oversees all Asian and Japanese operations, monetized every last one of his 1.5 million vested options. The list goes on, as a number of top officers have noticeably stepped up their diversification efforts in recent months. The table below shows the percentage of actionable ownership sold annually by key sellers over the past four years, and it should be noted that 2007 marked record reductions for five of the six. We also should mention that Chairman **Jeff Henley** was not added to this list, but he has shed 60% of his ownership over the past two years.

Executive	Position	% Sold 2004	% Sold 2005	% Sold 2006	% Sold 2007
C. Phillips	Co-Pres	--	--	78.7%	99.7%
S. Catz	Co-Pres, CFO	19.5%	--	4.7%	15.2%
S. Giacoletto	EVP	4.8%	14.9%	25.7%	56.9%
J. Rottler	EVP	--	--	51.6%	55.9%
C. Rozwat	EVP	26.0%	8.6%	24.6%	36.5%
D. Williams	EVP	69.6%	--	65.5%	97.3%

Another new aspect of their behavior is the effect of future option vesting on their ownership. We have grown accustomed to seeing management's ownership levels consistently increase annually, whereas shares divested in the past were more than replaced in full shortly after by newly-vested options. This marks the first time they have not only reversed the ownership growth, but set back their positions by such a large margin that they can not be restocked in the near term, as the scope of this year's activity will leave their holdings depleted for a number of years (see table below). Although this year's 20% share price gain has been widely applauded, it does not seem enough to justify ownership erosion to this degree.

Despite the vast amount of derivative equity compensation provided to management, the Company's ownership guidelines are downright farcical. These were implemented in 2006, requiring all officers to hold 5,000 shares by August 2007. At the current market price, this translates to owning stock valued at \$115,000, or less than one quarter of a percent of President Phillips' fiscal 2007 compensation package. While all officers are in compliance with the guidelines, a number of them, including Phillips and Co-President, CFO **Safra Catz**, did not add the shares until the August deadline and hold no more than the 5,000 share minimum. The sum of common stock held by the six officers named in the table above increased just 13,000 over the past four years to 68,000.

Executive	Shares Sold Last 52 Weeks	Options Vesting Next 52 Weeks
C. Phillips	4,307,500	2,187,500
S. Giacoletto	1,929,500	687,500
C. Rozwat	2,262,500	1,062,500
D. Williams	3,175,000	450,000

As many of our clients are probably aware, we posted a Special Report titled [Hidden Risks: Insider Shares Pledged as Collateral](#) on September 14th (search by ticker symbol SRPT) that covered situations where insiders with large stock positions have pledged a significant amount of their shares to collateralize margin accounts or personal loans. The risks associated with these sizeable pledges are obvious, and have played a role in the collapse of a handful of well-known large-cap names. While our investigation into these situations uncovered substantial pledged positions at Boston Scientific (NYSE: BSX) and Chesapeake Energy (NYSE: CHK), to name a few, we could not have anticipated a new disclosure that turned up in Oracle's new Proxy Statement filed one day after the posting of our report. According to a footnote in the beneficial ownership table, Larry Ellison has pledged as collateral 525 million shares, or 42% of his total position, "to secure certain personal indebtedness, including various lines of credit". This implies that 10.2% of Oracle's 5.1 billion outstanding shares are at risk of being called if Ellison defaults on his loans or if the share price were to come under any extreme downside volatility.

As we pointed out in the Special Report, such behavior is not unlike a forward sale as Ellison put up his shares for an upfront cash payment (loan). Yet, a meaningful difference is that if ORCL shares trade significantly lower, it is likely he would have to put up more cash or pledge additional shares to secure his collateral obligation. This might seem unfounded, considering Ellison's vast net worth (#4 on Forbes' Richest Americans list) but this is exactly what played out in the case of WorldCom's Bernie Ebbers, who also collateralized hundred-million dollar loans with his stock. While Ellison might have a net worth estimated at \$26 billion, nearly all of that is comprised of his ORCL shares. If you want to know exactly how concerned he is with his debt load, read his biography titled *The Difference Between God and Larry Ellison*, in which when asked about being overextended back in 1990 and almost losing everything he replied, "It's exciting. It's a rush, man." ²

- **Charles Phillips Jr. (48)*** – President, Director. Phillips joined the Company in 2003 and was promoted to his current position in 2004. Since he has been an infrequent trader over the years, there is little historical data to compare, but his recent behavior needs no context. Phillips **cleared out 99% of his ownership after the fiscal 4Q earnings release**, and we are not talking about small numbers. After selling 1.8 million shares in October 2006 at \$18, he surfaced again on September 26th to sell 2.4 million shares at \$21. The sale generated a pre-tax profit of \$17 million. In order

² Mike Wilson, *The Difference Between God and Larry Ellison* (New York: HarperCollins Publishers, 2003), pp. 227 – 228.

to clear out this many shares, Phillips monetized every last vested option at his disposal, none of which was scheduled to expire before May 2013. Do not expect to see him sell any time soon, as Phillips will not have any new options become actionable until June 2008, at which time 2.1 million options will vest during a three month window (see Appendix B). Phillips is a director at Viacom (NYSE: VIA) and Morgan Stanley (NYSE: MS), but has not sold shares of either Company since joining the respective boards.

- **Derek Williams (62)** – Chairman and Executive V.P., Oracle Asia Pacific and Japan. Williams has been an Oracle employee for nearly 20 years and a Section 16 filer since assuming his current role in 2000. During this period he had sold on only prior occasions: a sale of 1 million shares in January 2004 at \$14 and 1.6 million distributed in October 2006 at \$17. In both cases, the shares reversed course rather suddenly, losing roughly 25% within the ensuing four months. Now, just one year removed from his last record sale, Williams monetized all available stock options on October 1st from five series with expiration dates between June 2011 and July 2016, immediately selling the 1.5 million shares at \$21. **The shares accounted for 97% of his ownership**, leaving him with just 40,000 shares of common. Making this sale even more notable is the fact he will have only 450,000 options vest in 2008 (see Appendix B), which will replace less than a third of what he just sold. While many on the Street feel the shares are primed for a run, Williams' behavior suggests otherwise.
- **Sergio Giacoletto (58)** – Executive V.P., Oracle EMEA. Between 2000 and 2005 Giacoletto averaged fewer than 100,000 shares sold annually. Over the past two years he sold more than 2.2 million shares, including the 662,500 sold since July at an average price of \$21. Despite 750,000 options becoming actionable in 2007, his sales over the last 52 weeks still **shed 60% of his actionable holdings**. Based on the number of options he has scheduled to vest in 2008 (687,500), it would take two full years for Giacoletto to replace the holdings sold this year barring any further profit taking (see Appendix B).
- **Juergen Rottler (40)** – Executive V.P., Oracle Customer Services. Rottler is one of only two Oracle executives currently trading under a personal sales plan. While Rule 10b5 was intended as a medium for insiders to discerningly diversify their ownership, Rottler has managed to unwind just as much of his position as those of his peers not constrained by a plan. The 673,000 shares sold in plan since June eclipsed the 400,000 shares he sold cumulatively between 2004 and 2006. **Over the past 52 weeks he has erased roughly 70% of his holdings**. Despite receiving awards covering 3.3 million options over the past three years, and collecting more than \$8 million in profits from his stock sales since June 2006, Rottler has managed to accumulate only 5,000 shares of common. Clearly, the Company's strategy of granting loads of options to promote insider ownership has not worked. He will have 1 million options become actionable between next June and September (see Appendix B).
- **Charles Rozwat (59)*** – Executive V.P., Oracle Server Technologies. There has been a noticeable acceleration of Rozwat's profit taking over the past 52 weeks. After selling a total of 1.2 million shares between 1999 and 2005, he has sold 3 million, or **45% of his total actionable ownership**, since last September. For the first time during his ORCL career Rozwat is now surfacing each quarter, most

recently having sold 860,000 shares in July and another 862,500 in October at roughly \$22. None of the options monetized since July was going to expire sooner than 2012. The 1 million options scheduled to vest in 2008 will replace less than half of what he distributed in the past year (see Appendix B).

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

Synaptics Inc. (NASDAQ: SYNA)

Things just do not seem to be adding up at Synaptics lately. On one hand, the Company reported its most productive fiscal year results in August, management issued very optimistic guidance for fiscal 2008, and the board authorized an increase to the ongoing stock repurchase plan. Then there is the other hand, which includes the most prolific quarter of insider sales in the Company's history. While the assured management-speak has won over plenty of SYNA followers, the insider behavior makes us question the authenticity of their optimism. Not only have the Company's top officers cleared out multiple option series en route to draining their actionable ownership to unprecedented levels, we have also seen evidence of unparalleled rank-and-file profit taking as well. Add to this the unforeseen retirement announcement by the Company's chairman and co-founder, **Federico Faggini**, and without question, the insider profile has evolved into the most bearish we have seen from this group.

Synaptics shares hit a new all-time high of \$41.80 in early August when the Company reported fiscal 4Q07 earnings and revenues that surpassed consensus estimates. The issue would later advance past \$50 in late September before retreating to the mid \$40s. The recent momentum can be attributed to the bullish projections issued by management on the FYQ407 conference call, including 51% to 55% year-over-year sales growth for the first quarter and a 25% to 30% revenue increase for fiscal 2008. To conclude his upbeat prepared remarks, Chief Financial Officer **Russell Knittel** commented, "We are very well positioned to capitalize on the expanding opportunities in front of us and look forward to continued progress in both our core and new markets over the course of the new fiscal year." The only capitalizing we have seen from Knittel thus far has been on the sales of his equity. Shortly after the conference call he executed his largest sale on record, which he quickly followed up with sales under a fresh 10b5-1 plan adopted in September. **Within seven weeks of the bullish comments on the conference call, Knittel liquidated 95% of his actionable holdings.**

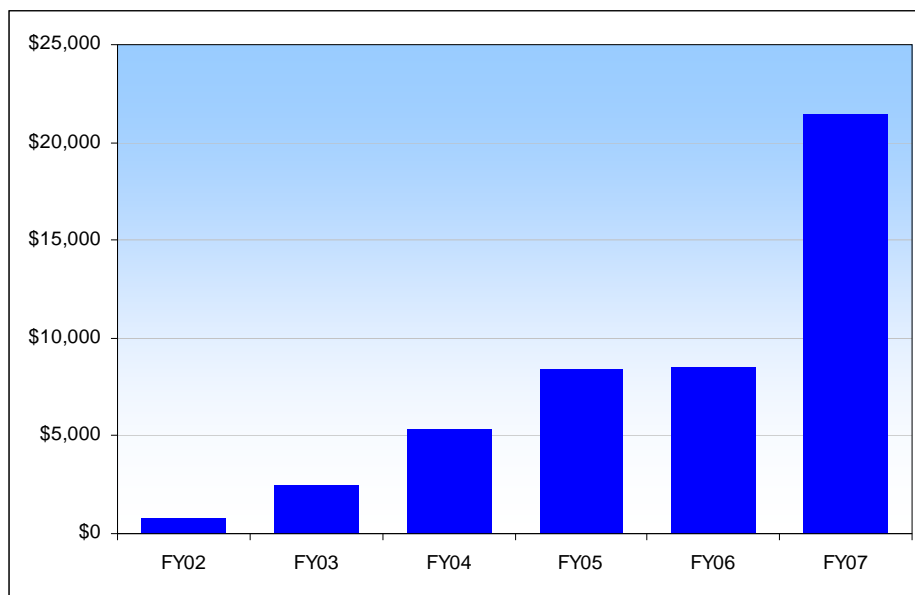
In all, six insiders surfaced after the August fiscal fourth quarter release to sell a total of 660,000 shares. Of these six, four sold under new 10b5-1 plans and wasted little time doing so. We have explained, in past reports, that securities attorneys advise their clients to wait, at the very least, 30 days (preferably 60) from the adoption date before commencing plan sales. This minimizes the risk of adverse publicity and also should help combat any "good faith" challenge to the plan by the SEC, as trading under a plan so close to adoption could suggest awareness of inside information if the trade turns out to have been near a high in the stock's price history. In the case of the recent SYNA plan adoptions, the four insiders began selling 2, 3, 8 and 13 days from their respective adoption dates. A telltale sign of bad news that is going to affect a stock could be a series of large, rapid sales under a recently launched plan. Again, in this example, every SYNA insider dumped a record number of shares in the first month of their plan's

existence. We are not alleging this guarantees an earnings miss in next month's release, but we are looking for abnormalities in their trading behavior and this is definitely another, as SYNA insiders had, in the past, always spread their plan sales over a longer timeframe.

Another component of last quarter's activity that we have not seen from this management team in the past is the large ownership reductions that resulted from their sales. We already mentioned CFO Knittel disposing 95% of his holdings, but veteran Chief Technology Officer **Shawn Day** and Executive V.P. **Thomas Tiernan** each shed 75% of his actionable ownership, while V.P. of Worldwide Operations **Alex Wong** erased 70% of his. Again, while Synaptics insiders have routinely sold in the past, this is the first time we have seen them unload this much of their positions in a short timeframe. Granted, SYNA shares are trading at historical highs, but its insiders have never concurrently traded in such an aggressive manner when the issue established new highs in the past. Making these large percentage reductions even more notable is the limited amount of options and restricted stock they have scheduled to vest over the next 52 weeks. As discussed in further detail below, nearly every seller has divested two to five times as many shares this year as they will gain by late 2008, making it impossible for them to restock their depleted ownership.

Synaptics' senior managers are not the only ones to step up their profit taking. There was a noticeable increase in cash proceeds from stock option exercises during the second half of FY 2007. Figure 3 below illustrates the record cash inflow during the fiscal year, which signifies an increase in exercised options (read: shares sold) by the Company's rank-and-file. While we will not see the current quarter's cash proceeds until the fiscal Q1 numbers are released in November, we can say with a high degree of certainty, based on the record management sales already filed, that there will be an unprecedented amount of employee options exercised. This figure will corroborate what the insiders are already signaling: there is a consensus amongst all SYNA employees that the issue has gotten ahead of itself.

Figure 3. Proceeds from Issuance of Common Stock upon Exercise of Options and Stock Purchase Plan (\$000; fiscal year ends June 30). Source: SYNA SEC Filings.



On a final note, we were surprised to see the September 28th announcement that Chairman, Co-Founder **Federico Faggin** was retiring from the board. That very same day the Company released its Proxy Statement disclosing Faggin was slated for re-election for another three year term. He is an industry pioneer whose counsel and contribution will be a considerable loss, and it seems curious that despite his other commitments, he seems to have opted to suddenly walk away from the company he started rather than just accepting a less involved board role. He has not given any indication that he plans to retire from his chairman position at fab-less semiconductor manufacturer ZiLOG Inc. (NASDAQ: ZILG), which he also founded back in 1974. Faggin adopted his own 10b5-1 trading plan on August 14th, five days after the fiscal 4Q earnings release. Before his retirement announcement, he had already sold 245,000 shares (25% of holdings), matching the total amount he sold over the last five years.

- **Russell Knittel (57)*** – Executive V.P., Chief Financial Officer, Treasurer. Breaking down Knittel’s recent behavior, there is a handful of details that emerge which lead us to believe he is now trading with a new sense of urgency. Knittel sold 75,000 shares on August 24th, two weeks before adopting his fourth 10b5-1 plan in the past four years. His last two, adopted in February 2004 and May 2005, lasted 9 and 10 months and averaged between 6,000 to 10,000 shares distributed per month. We also add here that he did not commence the selling under either plan for at least four months. Under his recent plan (September 4th), Knittel began selling just weeks after the adoption date, then sold nearly 60,000 shares over the first two weeks. Since August he has now tapped into seven different option series (expiration dates: April 2010 to July 2016), clearing out four, en route to **monetizing 95% of his actionable ownership**. The table below, listing Knittel’s annual holdings, shows this is definitely an anomaly. Never before had he sold his position down below 150,000 vested options and shares, and we will not see his holdings return to earlier levels since he will have only 56,000 options and shares vest over the next 52 weeks (see Appendix C). This definitely is not the behavior we would expect from a confident top finance officer.

9/1/2002	9/1/2003	9/1/2004	9/1/2005	9/1/2006	10/10/2007
165,462	170,758	192,195	165,058	159,752	9,471

- **Shawn Day (41)*** – Chief Technology Officer. Day is one of the longest-tenured Synaptics executives, having joined the Company in 1995 and served as the head of R&D for ten years before assuming his current position in July. He is now trading under his sixth 10b5-1 sales plan since 2003, but this one stands out as being the most aggressive. The table below lists his annual holdings, which had remained fairly stable over the last five years. The 141,000 shares sold under his current plan, adopted in February, has **shed 76% of his ownership**, and dropped his holdings to their lowest level on record. His last trades in July covered 55,000 shares, the most he has ever disposed in any four week period, and left him with very few actionable options until more vest over the past three months. At his current rate of option and restricted stock vesting (2,300 per month), it would take nearly 6 years for him to replace the holdings diversified away this year (see Appendix C).

9/1/2002	9/1/2003	9/1/2004	9/1/2005	9/1/2006	10/10/2007
149,009	170,758	168,673	160,917	177,874	44,696

- **Thomas Tiernan (44)*** – Executive V.P., General Manager. Tiernan joined the Company in 2006 after holding management positions with Symbol Technologies and Hewlett Packard for 20 years. He has already set an early precedent for his SYNA trading behavior, cashing out the majority of his vested new-hire options under a personal sales plan. He adopted the plan on August 28th and commenced the trading two days later, cashing out 75,000 options between August 30th and September 26th. The **shares accounted for 75% of his holdings**, which will be replenished at a rate of 5,200 per month through April (see Appendix C).
- **Hing-Chung (Alex) Wong (51)** – V.P. of Worldwide Operations. Wong joined Synaptics in 2003 but has been a registered filer only since October 2006. Although he is the only officer yet to open a sales plan, he has certainly made a statement with his trading. After selling 8,000 shares in November at roughly \$29, he has since sold 54,000 year-to-date, most of which (40,000) came out after the fiscal Q4 earnings release between August 17th and August 30th at prices ranging from \$39 to \$43. It is very possible we will see him enter in to a plan of his own before the next earnings release, but after **selling 70% of his position**, there is little equity remaining for him to act on. Barring any further profit taking, it will take two years for him to replace the ownership sold this year as he will vest in roughly 2,000 options and shares per month through October 2008 (see Appendix C).

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

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Appendix A

Option and Restricted Stock Vesting Schedules for Selected Leucadia National Corp. 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
Thomas Mara, Executive V.P., Treasurer. Common stock holdings: 19,518 shares								
12/09/04	Options	120,000	\$21.75	01/02/06	01/02/11	120,000	72,000	01/02/08, 01/02/09, 01/02/10
11/11/06	Options	100,000	\$27.34	01/01/08	12/31/12	100,000	100,000	01/01/08, 01/01/09, 01/01/10, 01/01/11, 01/01/12
Joseph O'Connor, V.P. Common stock holdings: 0 shares								
12/09/04	Options	30,000	\$21.75	01/02/06	01/02/11	18,000	18,000	01/02/08, 01/02/09, 01/02/10
11/11/06	Options	40,000	\$27.34	01/01/08	12/31/12	40,000	40,000	01/01/08, 01/01/09, 01/01/10, 01/01/11, 01/01/12
Joseph Orlando, V.P., Chief Financial Officer. Common stock holdings: 25,827 shares								
12/09/04	Options	90,000	\$21.75	01/02/06	01/02/11	54,000	54,000	01/02/08, 01/02/09, 01/02/10
11/11/06	Options	100,000	\$27.34	01/01/08	12/31/12	100,000	100,000	01/01/08, 01/01/09, 01/01/10, 01/01/11, 01/01/12
Justin Wheeler, V.P. Common stock holdings: 5,000 shares								
12/09/04	Options	37,500	\$21.75	01/02/06	01/02/11	22,500	22,500	01/02/08, 01/02/09, 01/02/10
12/11/06	Options	75,000	\$27.34	01/01/08	01/01/13	75,000	75,000	01/01/08, 01/01/09, 01/01/10, 01/01/11, 01/01/12



Appendix B

Option and Restricted Stock Vesting Schedules for Selected Oracle Corp. 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
Safra Catz, Co-President, Chief Financial Officer, Director. Common stock holdings: 6,608 shares								
10/15/99	Options	2,000,000	\$11.69	10/15/00	10/15/09	2,000,000	0	Fully Vested
03/13/00	Options	800,000	\$40.81	03/13/01	03/13/10	800,000	0	Fully Vested
06/04/01	Options	2,000,000	\$15.86	06/04/02	06/04/11	2,000,000	0	Fully Vested
07/03/02	Options	2,000,000	\$8.68	07/03/03	07/03/12	500,000	0	Fully Vested
07/11/03	Options	700,000	\$12.60	07/11/04	07/11/13	700,000	0	Fully Vested
08/27/04	Options	750,000	\$10.23	08/27/05	08/27/14	750,000	187,500	08/27/08
06/20/05	Options	3,000,000	\$12.34	06/20/06	06/20/15	3,000,000	1,500,000	06/20/08, 06/20/09
07/06/06	Options	4,000,000	\$14.57	07/06/07	07/06/16	4,000,000	3,000,000	07/06/08, 07/06/09, 07/06/10
07/05/07	Options	4,000,000	\$20.49	07/05/08	07/05/17	4,000,000	4,000,000	07/05/08, 07/05/09, 07/05/10, 07/05/11
Larry Ellison, Chief Executive Officer, Director. Common stock holdings: 1,208,571,324 shares								
07/13/98	Options	6,000,000	\$4.17	07/13/99	07/13/08	6,000,000	0	Fully Vested
06/04/99	Options	40,000,000	\$6.87	06/04/00	06/04/09	40,000,000	0	Fully Vested
07/11/03	Options	900,000	\$12.60	07/11/04	07/11/13	900,000	0	Fully Vested
08/27/04	Options	2,500,000	\$10.23	08/27/05	08/27/14	2,500,000	625,000	08/27/08
06/20/05	Options	6,000,000	\$12.34	06/20/06	06/20/15	6,000,000	3,000,000	06/20/08, 06/20/09
07/06/06	Options	7,000,000	\$14.57	07/06/07	07/06/16	7,000,000	5,250,000	07/06/08, 07/06/09, 07/06/10
07/05/07	Options	7,000,000	\$20.49	07/05/08	07/05/17	7,000,000	7,000,000	07/05/08, 07/05/09, 07/05/10, 07/05/11
Sergio Giacolletto, Executive V.P.- Oracle EMEA. Common stock holdings: 10,422 shares								
06/04/01	Options	1,000,000	\$15.86	06/04/02	06/04/11	1,000,000	0	Fully Vested
08/13/04	Options	500,000	\$9.90	08/13/05	08/13/14	125,000	125,000	08/13/08
06/20/05	Options	750,000	\$12.34	06/20/06	06/20/15	562,500	375,000	06/20/08, 06/20/09
07/06/06	Options	750,000	\$14.57	07/06/07	07/06/16	750,000	562,500	07/06/08, 07/06/09, 07/06/10
07/05/07	Options	750,000	\$20.49	07/05/08	07/05/17	750,000	750,000	07/05/08, 07/05/09, 07/05/10, 07/05/11
Charles Phillips Jr., Co-President, Director. Common stock holdings: 5,000 shares								
08/27/04	Options	750,000	\$10.23	08/27/05	08/27/14	187,500	187,500	08/27/08
06/20/05	Options	2,000,000	\$12.34	06/20/06	06/20/15	1,000,000	1,000,000	06/20/08, 06/20/09
07/06/06	Options	3,000,000	\$14.57	07/06/07	07/06/16	2,250,000	2,250,000	07/06/08, 07/06/09, 07/06/10
07/05/07	Options	3,000,000	\$20.49	07/05/08	07/05/17	3,000,000	3,000,000	07/05/08, 07/05/09, 07/05/10, 07/05/11



Appendix B

Option and Restricted Stock Vesting Schedules for Selected Oracle Corp. 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
Juergen Rottler, Executive V.P.-Oracle Customer Services. Common stock holdings: 5,000 shares								
09/24/04	Options	800,000	\$11.05	09/24/05	09/24/14	400,000	200,000	09/24/08
06/20/05	Options	1,500,000	\$12.34	06/20/06	06/20/15	1,025,000	750,000	06/20/08, 06/20/09
07/06/06	Options	1,000,000	\$14.57	07/06/07	07/06/16	800,000	750,000	07/06/08, 07/06/09, 07/06/10
07/05/07	Options	1,000,000	\$20.49	07/05/08	07/05/17	1,000,000	1,000,000	07/05/08, 07/05/09, 07/05/10, 07/05/11
Charles Rozwat, Executive V.P.-Oracle Server Technologies. Common stock holdings: 28,176 shares								
11/05/99	Options	2,000,000	\$14.54	11/05/00	11/05/09	2,000,000	0	Fully Vested
03/13/00	Options	600,000	\$40.81	03/13/01	03/13/10	600,000	0	Fully Vested
06/04/01	Options	500,000	\$15.86	06/04/02	06/04/11	500,000	0	Fully Vested
07/11/03	Options	700,000	\$12.60	07/11/04	07/11/13	400,000	0	Fully Vested
08/27/04	Options	750,000	\$10.23	08/27/05	08/27/14	187,500	187,500	08/27/08
06/20/05	Options	1,500,000	\$12.34	06/20/06	06/20/15	1,500,000	750,000	06/20/08, 06/20/09
07/06/06	Options	1,000,000	\$14.57	07/06/07	07/06/16	1,000,000	750,000	07/06/08, 07/06/09, 07/06/10
07/05/07	Options	1,000,000	\$20.49	07/05/08	07/05/17	1,000,000	1,000,000	07/05/08, 07/05/09, 07/05/10, 07/05/11
Derek Williams, Chairman and Executive V.P.-Oracle Asia Pacific and Japan. Common stock holdings: 40,796 shares								
08/13/04	Options	500,000	\$9.90	08/13/05	08/13/14	125,000	125,000	08/13/08
06/20/05	Options	500,000	\$12.34	06/20/06	06/20/15	250,000	250,000	06/20/08, 06/20/09
07/06/06	Options	400,000	\$14.57	07/06/07	07/06/16	300,000	300,000	07/06/08, 07/06/09, 07/06/10
07/05/07	Options	400,000	\$20.49	07/05/08	07/05/17	400,000	400,000	07/05/08, 07/05/09, 07/05/10, 07/05/11

* Red highlight indicates options currently out of the money.



Appendix C

Option and Restricted Stock Vesting Schedules for Selected Synaptics, 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
Shawn Day, Chief Technology Officer. Common stock holdings: 20,478 shares								
08/07/03	Options	30,000	\$9.96	08/07/04	08/07/13	5,000	0	Fully Vested
07/20/04	Options	25,000	\$18.26	07/20/05	07/20/14	10,000	4,688	520 vest each month through 7/08
07/26/05	Options	30,000	\$21.50	07/26/06	07/26/15	20,000	13,125	625 vest each month through 7/09
07/25/06	Options	22,500	\$21.03	07/25/07	07/25/16	22,500	15,469	468 vest each month through 7/10
07/25/06	R. Stock	2,500	N/A	07/31/06	07/31/10	1,719	1,719	156 vest each quarter through 7/10
08/13/07	Options	25,000	\$39.70	08/13/08	08/13/17	25,000	25,000	25% vest in 7/08, remainder vest 520 per month
Federico Faggin, Chairman. Common stock holdings: 762,516 shares								
¹	Options	30,000	\$7.37	¹	¹	30,000	0	Fully Vested
01/21/04	Options	18,750	\$16.40	01/21/05	01/21/14	18,750	1,172	390 vest each month through 1/08
01/18/05	Options	18,750	\$30.26	01/18/06	01/18/15	18,750	12,891	390 vest each month through 1/09
01/17/06	Options	14,062	\$30.71	01/17/07	01/17/16	14,062	10,546	292 vest each month through 1/10
01/17/06	R. Stock	1,562	N/A	01/17/07	01/17/10	879	879	32 vest each month through 1/10
01/23/07	Options	9,375	\$29.44	01/23/08	01/23/17	9,375	9,375	25% vest in 1/08, remainder vest 195 per month
01/23/07	R. Stock	3,125	N/A	01/23/08	01/23/11	3,125	3,125	25% vest in 1/08, remainder vest 195 per quarter
Russel Knittel, Executive V.P., Chief Financial Officer, Treasurer. Common stock holdings: 1,866 shares								
07/20/04	Options	55,000	\$18.26	07/20/05	07/20/14	12,605	10,312	1,145 vest each month through 7/08
07/26/05	Options	60,000	\$21.50	07/26/06	07/26/15	28,750	26,250	1,250 vest each month through 7/09
07/25/06	Options	45,000	\$21.03	07/25/07	07/25/16	33,750	30,938	937 vest each month through 7/10
07/25/06	R. Stock	5,000	N/A	07/31/07	07/31/10	3,438	3,438	312 vest each quarter through 7/10
08/13/07	Options	60,000	\$39.70	08/13/08	08/13/17	60,000	60,000	25% vest in 7/08, remainder vest 1,250 per month
Francis Lee, President and Chief Executive Officer. Common stock holdings: 243,181 shares								
12/22/98	Options	²	\$1.00	12/22/99	12/22/08	56,308	0	Fully Vested
09/20/00	Options	250,000	\$3.00	09/20/01	09/20/10	50,000	0	Fully Vested
01/08/02	Options	200,000	\$9.00	01/08/03	01/08/12	15,000	0	Fully Vested
02/05/03	Options	200,000	\$7.37	02/05/04	02/05/13	150,000	0	Fully Vested
01/21/04	Options	200,000	\$16.40	01/21/05	01/21/14	90,000	16,664	4,166 vest each month through 1/08
01/18/05	Options	200,000	\$30.26	01/18/06	01/18/15	200,000	66,656	4,166 vest each month through 1/09
01/17/06	Options	112,500	\$30.71	01/17/07	01/17/16	112,500	63,261	2,343 vest each month through 1/10
01/17/06	R. Stock	12,500	N/A	01/17/07	01/17/10	7,032	7,032	260 vest each month through 1/10
01/23/07	Options	56,250	\$29.44	01/23/08	01/23/17	56,250	56,250	25% vest in 1/08, remainder vest 1,171 per month
01/23/07	R. Stock	18,750	N/A	01/23/08	01/23/11	18,750	18,750	25% vest in 1/08, remainder vest 1,171 per quarter



Appendix C

Option and Restricted Stock Vesting Schedules for Selected Synaptics, 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
Thomas Tiernan, Executive V.P., General Manager. Common stock holdings: 815 shares								
03/28/06	Options	250,000	\$21.88	03/28/07	03/28/16	175,000	151,042	5,208 vest each month through 3/10
04/24/07	Options	45,000	\$28.81	04/24/08	04/24/17	45,000	45,000	25% vest in 4/08, remainder vest 937 per month
04/24/07	R. Stock	5,000	N/A	04/24/08	04/24/11	5,000	5,000	25% vest in 4/08, remainder vest 312 per quarter
Hing-Chung (Alex) Wong, V.P. of Worldwide Operations. Common stock holdings: 2,269 shares								
09/26/03	Options	100,000	\$10.91	09/26/04	09/26/13	1,000	0	Fully Vested
10/19/04	Options	18,000	\$24.93	10/19/05	10/19/14	11,800	4,500	375 vest each month through 10/08
10/18/05	Options	18,000	\$19.56	10/18/06	10/18/15	18,000	9,000	375 vest each month through 10/09
07/25/06	Options	11,250	\$21.03	07/25/07	07/25/16	11,250	7,735	234 vest each month through 7/10
07/25/06	R. Stock	1,250	N/A	07/31/07	07/31/10	860	860	78 vest each quarter through 7/10
10/17/06	Options	5,000	\$23.26	10/17/07	10/17/16	5,000	3,750	104 vest each month through 10/10
10/17/06	R. Stock	5,000	N/A	10/17/07	10/17/10	3,750	3,750	312 vest each quarter through 10/10
08/13/07	Options	25,000	\$39.70	08/13/08	08/13/17	25,000	25,000	25% vest in 7/08, remainder vest 520 per month

¹ Faggin was granted 30,000 options in January 2003, but we do not know the exact grant date.

² We do not know the original size of Lee's 1998 option grant.