2008 Crash and Burn Research Highlights

3DAdvisors, LLC Special Report

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As we come to the close of 2008, a year of extraordinary volatility and turmoil in the global equity markets, our research team has been reflecting on the fact that it was also a year in which analysis of corporate executive behavior was particularly effective. Unlike 2006/2007 when the market was awash in liquidity and even the worst stocks went up, no matter what, the opposite now seems true, but the companies whose hidden weaknesses have been exposed have really crashed and burned. We were fortunate in being able to isolate a number of these companies early by getting our first clues from executive *behavior* that contradicted management guidance and/or statements and the prevailing Street consensus, and then by identifying hidden or underappreciated fundamental problems as confirmation that the stocks were over valued, in some cases dramatically so.

In this *Special Report*, we briefly discuss a handful of companies that we covered in 2008 that crashed and burned but which we also felt were our most interesting research stories of the year -- even amusing at times -- and were also instructive examples of meaningful or unusual executive behavior that led us to the identification of significantly over-valued stocks. For each company we have calculated a simple "Crash & Burn Score", which is just the percentage difference between the highest closing price and the lowest closing price during the year. We also point out in some cases where we have observed similar behavioral traits at other companies that should be carefully monitored as they may represent opportunities in the New Year.

Companies Featured in this Special Report

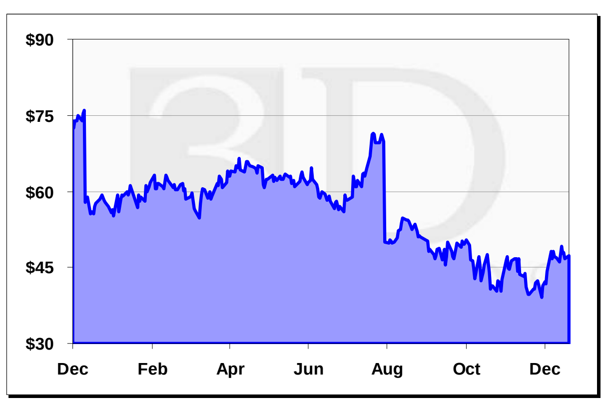
Name	Ticker	2008 C&B Score
Biogen Idec Inc.	BIIB	**45.3%**
Bunge Limited	BG	**77.3%**
Chesapeake Energy Corp.	CHK	**83.7%**
MEMC Electronic Materials Inc.	WFR	**88.1%**
NVR Inc.	NVR	**49.9%**
Titan International Inc.	TWI	**84.1%**
Warnaco Group Inc.	WRC	**75.9%**
Postscript: SiRF Technology Holdings Inc.	SIRF	**96.3%**
Postscript: WCI Communities Inc.	WCI	**99.0%**

Name	Ticker	Noteworthy Executive Behavior/ Similar Behavior	2008 C&B Score
Biogen Idec Inc.	BIIB	✓ Extraordinary 10b5 plan abuse ✓ Disclosure practices ✓ Similar behavior: PCL	**45.3%**

Although its **C&B Score of 45.3%** is not as spectacular as some of the other names in this report, the trading plan abuses exhibited by this management team made it one of the more interesting research stories of 2008, and frankly, we continue to pay attention to the name. Dating back to early 2005, when former General Counsel **Thomas Bucknum** walked out of a meeting at which executives were informed of a TYSABRI patient having contracted a rare brain disorder, and instructed his broker to sell 89,000 shares, Biogen insiders have routinely taken shares off the table ahead of negative news while also profiting from short-term rallies triggered by Company-generated announcements. Nearly all of these opportune trades have been camouflaged by their use of prearranged 10b5-1 sales plans, which to us have effectively served as licenses to execute sales while seemingly in possession of material, non-public information.

Biogen insiders have exploited Rule 10b5-1 on a level not seen at any other company we have analyzed. Over the past few years we have highlighted many of the situations where Biogen insiders' sales have correlated with positive earnings surprises and other similarly positive announcements such as the October 2007 declaration Biogen was seeking a buyer, upon which six insiders immediately surfaced with 'predetermined' sales to cash in on the stock's resulting good fortune. Similar behavior transpired around the time it became public Carl Icahn was accumulating shares and intended to make his own bid. Even before this activity, President and CEO **James Mullen** (pictured left), under a sales plan that had been dormant for two years, sold 750,000 shares all in one session (04/11/08), instantaneously erasing 42% of his position, just before issuing the following statement in an earnings release: "In my nearly two decades with the Company I don't believe the prospects for growth today and growth in the future have been any better for the Company".

Equally importantly to us, however, is management's insistence that PML, a potentially lethal side-effect of its primary growth driver, MS drug TYSABRI, would not hinder the Company from reaching the lofty long-term patient targets it had provided Wall Street. This situation came full circle when the Company revealed on 07/31/08 that two patients overseas were being treated for PML, news that resulted in a loss of more than $6 billion in market capitalization. Proving once again that their exemplary trade timing should not be written off to mere coincidence, a number of BIIB insiders avoided significant paper losses when



they sold nearly 300,000 shares in the days leading up to the ill-fated disclosure, including named executive officer **Robert Hamm**, head of Pharmaceutical Operations, who surfaced with unprecedented selling volume (under his own personal sales plan) that erased his entire actionable position, even clearing out options that yielded a negligible 4% profit (see *Research Notes* on 08/06/08). Just recently (12/19/08) it was announced by one media outlet that a third TYSABRI patient has died of PML, an unfortunate event Biogen has yet to disclose.

While the recent 10b5-1 selling by Plum Creek Timber Co. Inc. (NYSE: PCL) executives does not match the scope of those at Biogen, we nonetheless are compelled by the trades in light of similar characteristics and covered the trading profile along with a number of other accounting and fundamental risks in a full report on 10/17/08. The September plan sales of President, CEO **Rick Holley** and COO **Thomas Lindquist** violated a number of 10b5-1 'best practices', including the 30 to 60 day delay period, initiating a plan that calls for a uniform long-term diversification, and selling no more than 25% of one's actionable ownership through the plan. These sales proved quite timely as PCL shares have since lost 35% of their value as it has become apparent selling land assets at steadily eroding valuations is the Company's primary means of generating cash. This fact was underscored on 12/17/08 when Plum Creek lowered 4Q08 earnings guidance by 46%, excluding earnings from a Montana conservation land sale.

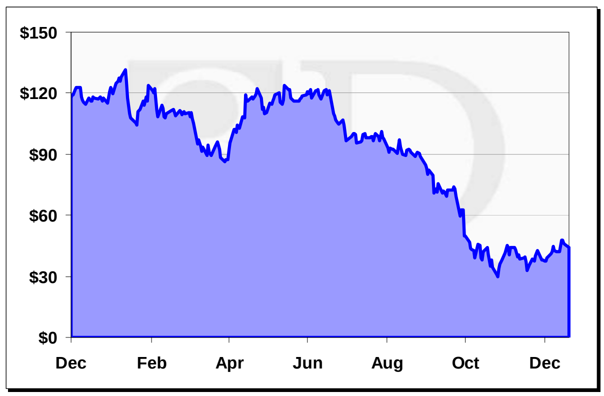
Name	Ticker	Noteworthy Executive Behavior	2008 C&B Score
Bunge Limited	BG	✓ Balance sheet weak; cash an issue ✓ A/R exposure to Brazilian farmers ✓ Mgmt guilty of major spin control	**77.3%**

Bunge has been a long-term project for us, and despite the fact that it sports a **B&G Score of 77.3% in 2008**, we still feel the shares are significantly over valued at present levels. That is because we think the decline in value over the course of this year has more to do with the weakness in global agricultural commodities and the overall melt down in equity markets rather than the liquidity issues that we believe are the principal risk to the shares. These risks are exacerbated by low current cash balances and an inability to consistently generate true positive cash flow from operations, uncertainty regarding the valuation of inventories, deteriorating conditions for Brazilian soybean farmers who owe Bunge approximately $1.6 billion and pay those debts in soybeans, and the fact that companies that are poor credit risks continue to have difficulty raising money in the debt markets. Overall, the Company's balance sheet is in relatively poor condition with little prospect for improvement in the short term and could in fact worsen considerably, which we believe leaves it in a very precarious position.

Despite these ominous clouds, management continues to paint a rosy picture both in terms of its most recent reported results as well as guidance, which seems increasingly like a case of extreme denial to us. For instance, CFO **Jacqualyn Fouse** (pictured above, left) reported in her prepared remarks at the start of the 3Q08 conference call that cash flow from operations was $2.2 billion, clearly attempting to spin these results as a positive accomplishment when she stated: "With respect to cash flow for the quarter and the nine months on Slide eight, we have very strong funds from operations driven by the profit performance both for the quarter and the year-to-date."

Yet through the first six months (June 30), cash flow from operations was -$483 million, and only turned a positive $1,727 million through nine months (September 30) on the strength of the $2.2 billion reported in Q3. But looking at that $2.2 billion for the quarter, the three largest contributors were Payables ($1,073 million), Inventories ($909 million) and Foreign Exchange Loss on Debt ($385 million). It seems to us that "strong funds from operations" is more driven by stretching out payables and accounting adjustments than it was "driven by profit performance". When the CFO says "driven by profit performance", it implies to us that she is saying "we made money by selling stuff to our customers". As it turns out, that's not what really happened.

In similarly artful spinning of bad news into good by Fouse regarding shareholders' equity, she stated during her prepared remarks: "Shareholders' equity is up $800 million since 12/31/07." This statement seems to imply that shareholders' equity had increased. But in Q2, the Company reported shareholders' equity of $9,475 million and in Q3, $8,710 million, so shareholders' equity actually declined $765 million sequentially.



As we noted in our most recent update in *Research Notes* on 12/09/08, evidence from recent media accounts and from our own sources in-country continue to suggest that conditions for farmers in Brazil have deteriorated rapidly with little prospect for near or intermediate term turnaround. This may in fact be the biggest short term challenge facing the Company. We are most interested in seeing the Company's audited financial results for the full year, and whether or not there has been any substantial degradation in the quality of the $1.6 billion in receivables on Bunge's balance sheet that is owed by these farmers. As we have stated several times previously, it's our opinion that any substantial deterioration in its receivables could act as a significant catalyst.

Name	Ticker	Noteworthy Executive Behavior/ Similar Behavior	2008 C&B Score
Chesapeake Energy Corp.	CHK	✓ Substantial pledged shares risk ✓ Disclosure practices ✓ Similar behavior: JBHT, PHM	**83.7%**

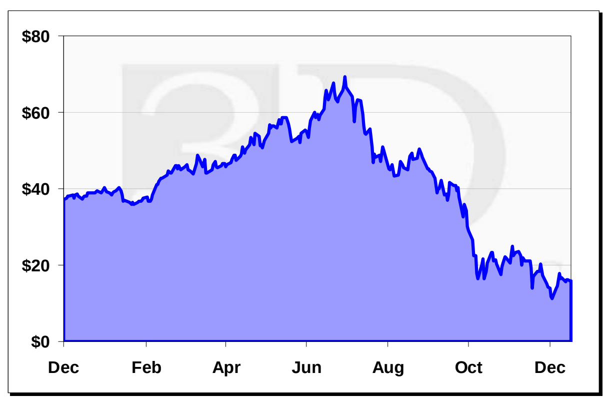
Chairman and CEO **Aubrey McClendon** is well known on Wall Street for routinely generating press coverage of his persistent buying of CHK stock over the years. McClendon, and his former partner Tom Ward, have been masterful at using their stock buying as a powerful marketing tool to help convince investors that they should help fund Chesapeake's aggressive expansion plans by becoming stock or bond holders. But

McClendon's stock purchases took on a whole new twist as his holdings actually became a *threat* to shareholders as the price of CHK shares approached new lows in early October.

As it turns out, McClendon (pictured below, left) was putting his shares into a margin account as collateral to buy even more shares on borrowed money, a little fact that was of course not disclosed on the relevant Form 4s; the transactions appeared as simple open market purchases and reported as such by the media. As the price of natural gas started rising sharply in 2008, McClendon looked not only like a management genius as Chesapeake grew to become the largest natural gas producer in the U.S., but he also looked like an investment genius as the shares continued to rise, reaching an all-time high of $74 on 07/02/08, with McClendon routinely "buying" shares all the way up.

The scheme worked beautifully, so long as the stock continued to climb. But when natural gas prices began their retreat in July, so too did the price of CHK stock. And even though the shares began to look more and more like a bargain as energy prices receded, McClendon's buying had come to an abrupt stop as soon as prices reversed course. Investors could be forgiven for being confused as to why McClendon was buying shares in July at over $65, but not acting to pick up more at much lower prices.

On 10/10/08, McClendon filed a stunning Form 4 that reported the *sale* of substantially his entire stake, in total over 30 million shares. As the price of the shares fell into the low $20s and lower, he suffered margin calls from his broker(s) and was forced to sell the shares. Cleary a financial disaster for McClendon, but for investors holding the stock, the dumping of 30 million shares on the market had come at the worse possible time while the stock was making new lows. The forced sale of so many shares was like throwing gasoline on a fire that was already burning out of control. **During 2008 CHK would achieve a C&B Score of 83.7%**, far outpacing just about anyone in the oil patch.



We first brought the risks associated with pledged shares to the attention of our clients in a *Special Report* back on 09/14/07, and have more recently done a subsequent series of four separate updates on the topic as the uncertainty related to this particular insider behavior has gone up as share prices have gone down. In our most recent update on 10/31/08, we provided a comprehensive list of companies where a substantial number of shares have been pledged by insiders. As it turns out, this behavior is much more common than even we knew.

This doesn't even take into consideration the fact that insiders who pledge shares as collateral can in some cases be simply attempting to monetize their positions without having to report a "sale" on a Form 4, and so the pledging of shares is of general interest to us as executive behavior much in the same way a forward sale grabs our attention. Though the McClendon behavior gave rise to a different type of concern, we are particularly interested when insiders pledge stock as collateral for personal, non-recourse loans.

With share prices remaining near their lows, we continue to monitor several situations where insiders or a group of insiders have pledged shares that represent a significant percentage of the total shares outstanding. Two specific names of interest to us in this regard are J.B. Hunt Transportation Services Inc. (see our most recent update on 09/09/08) and Pulte Homes Inc. (see update on 12/09/08).

Name	Ticker	Noteworthy Executive Behavior	2008 C&B Score
MEMC Electronic Materials Inc.	WFR	✓ Mgmt-wide sell-off of holdings ✓ Disclosure practices, hype ✓ CEO dumps 100% off highs	88.1%

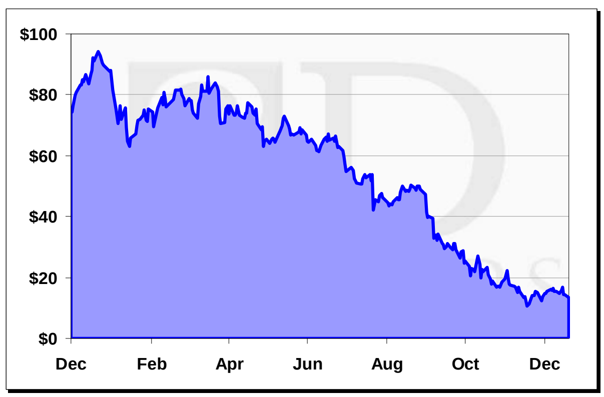
Chairman and CEO **Nabeel Gareeb**, the Pakistani-born executive brought in to turn around WFR in 2002 by TPG, was highly successful in leveraging the Company's dominant position in the global market for polysilicon, a difficult to produce material used in certain semiconductor applications but also a vital ingredient used in the manufacture of photovoltaic solar cells. As the solar industry started to take off in 2007, spurred by sky rocketing energy prices and the subsequent rush of investors putting money into solar companies, shortages of polysilicon around the world caused spot prices to shoot up – an opportunity WFR wasted little time in seizing.

Revenues, gross margins and WFR shares accelerated rapidly as polysilicon spot prices increased a reported 10-fold, but Gareeb consistently down played the role spot sales were having in the Company's success. He steadfastly refused to disclose the amount of polysilicon being sold into the spot market each quarter or the price at which it was being sold even as competitors began announcing plans to greatly expand production capacity, raising the possibility of a collapse in spot prices at some future date. But by then WFR had become as hot among investors as the solar companies it sold to. The stock reached a peak closing price of $94.02 on 12/24/07.

As Gareeb (pictured above) continued to hype the stock, he and his lieutenants were selling their own shares with both hands which ultimately resulted in unprecedented percentage holdings reductions for virtually the entire executive management team. We picked up on contradiction between the hype and the aggressive trading behavior – not to mention the dismissal of the importance of spot polysilicon sales – in early 2007. In an update report published on 11/15/07 just as the shares were approaching their all-time high, we included the table below showing the percentage reductions in actionable holdings (common stock plus exercisable options) that had taken place over the course of the year as the shares surged. Across the board reductions such as these are exceedingly rare. Gareeb's stock sales helped put him in the number 2 spot on Forbes' annual list of top-paid technology executives for 2007, just behind Oracle's Larry Ellison, and number 6 among all CEOs.

Executive	Position	% Holdings Sold Year-to-Date
N. Gareeb	President, Chief Executive	95%
M. Cabrera	Head of Human Resources	100%
M. Cheles	Chief Information Officer	100%
S. Hunkler	Head of Manufacturing	99%
J. Kauffmann	Head of Sales and Marketing	96%
B. Kohn	General Counsel	99%

Things began to unravel for WFR in early 2008 as the Company began experiencing a number of problems with its own production expansion plans which resulted in its missing its aggressive guidance not once, but several quarters in a row. But the seminal event in this period was some remarkable behavior on the part of Gareeb himself, who emerged to sell 575,000 shares on 05/02/08, 500,000 of which came from the exercise of options that vested that same day. The sale represented 100% of his actionable position. And while we had become accustomed to seeing WFR executives exercising options as soon as they vested and selling the shares, Gareeb's sale in this instance took place 30% off the December highs, and it was the first time he had sold into significant share weakness; an ominous individual trade if there ever was one which we covered in an update report on 05/12/08. It wasn't long thereafter that the shares began a steep slide and **in 2008 WFR would achieve a C&B Score of 88.1%.** On 10/30/08 the Company announced in a press release that Gareeb had resigned his position to be replaced by an interim CEO on 11/12/08. A permanent replacement has not yet been named.



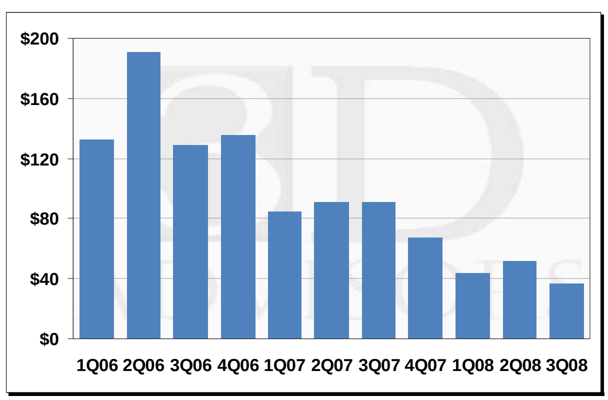
Name	Ticker	Noteworthy Executive Behavior/ Similar Behavior	2008 C&B Score
NVR Inc.	NVR	✓ CEO gets press from buys, then sells ✓ Mgmt team sells heavily into weakness ✓ Similar behavior: PBCT	**49.9%**

Though NVR has fared better than some in the housing sector with a **C&B Score of 49.9%**, it was nonetheless an interesting story of caution regarding high visibility insider "buying". Few insider buying situations have garnered as much hype over the past few years than when Chairman **Dwight Schar** spent $52.4 million in November 2007 to purchase 118,000 shares, effectively increasing his direct common stock position by

50%. The purchases were covered in dozens of media reports, eliciting fervent comments from analysts such as "very positive sign" and "possible indication the housing market has bottomed". But while his purchases did in fact catch the bottom of a steady six month decline from a 2007 high of $854 to a low of $424, they would end up providing a costly lesson why insider buying decisions should not always be taken at face value.

Immediately after the six month short-swing period expired in May 2008 Schar was singing a different tune, unloading both the shares purchased in November and previously owned stock, 252,000 shares in total, between 05/08/08 and 05/22/08 at successively lower prices from $630 to $544. The sales wiped out nearly 70% of his holdings and the $52 million he invested in 2007 was now dwarfed by the $352 million in proceeds from his stock sales over a 13 month span from April 2007 to May 2008. Two months after his last sale NVR traded near a 52-week low and would work its way down to a five year low of $316 by November.

In hindsight we can now appreciate his purchases were not a signal to the end of the housing market crisis and correspondingly, his sales were an intuitively-placed bet that industry fundamentals would deteriorate further. Additional clues came from Schar's NVR peers such as CEO **Paul Saville** and CFO **Dennis Seremet**. Both execs took profits in 2Q08 with the shares trading as high as $670 and then would later clear out most of their remaining holdings at prices below $500 *after* the Company reported 3Q08 earnings that fell short of analysts' consensus estimates. Through the first three quarters of 2008, NVR's profits declined 50% from the income reported for the same period in 2007 and trail 2006 by a staggering 70% (see chart at right showing quarterly net income, 1Q06 through 3Q08, in millions of $). Since NVR executives do not hold quarterly conference calls and, devoid of any comments issued on the financial press releases, the only clues investors have access to with regards to management sentiment is their trading behavior. NVR presents a timeless example of management's actions telling the tale.



A trading profile we have highlighted in numerous reports this year (02/27/08 and 11/18/08) that is strikingly comparable to that of NVR's is Connecticut based thrift conversion People's United Financial Corp. (NASDAQ: PBCT). Upon completing the second step of the conversion in April 2007, 18 PBCT operating officers and board members collectively spent $8.1 million ($20 per share) on shares in the subscription offering. Immediately after the six month short-swing period expired in October 2007, insiders began selling the stock, taking losses up to 17% from their initial purchase price. The sales have persisted throughout the year despite management's claims the Company is ideally positioned to thrive while many of its industry peers have found it difficult to navigate through the current banking climate. But the insider activity paints a very different picture, and one that contradicts the current bull thesis of sell-side analysts, with several key officers shedding 60% to 80% of their actionable holdings. In fact, since our last coverage, General Counsel **William Kosturko** has cleared out most of his remaining holdings while Chief Credit Officer **William Bodor** shed roughly half of his position while also clearing out the shares held in two separate retirement accounts.

Name	Ticker	Noteworthy Executive Behavior/ Similar Behavior	2008 C&B Score
Titan International Inc.	TWI	✓ Brash CEO Form 4 footnote telling ✓ Other substantial holdings reductions ✓ Similar behavior: HCBK	**84.1%**

Occasionally we come across footnotes in Section 16 filings that are so outlandish that we have to pass them along to our clients if for nothing else than their entertainment value. Although such odd trade disclosures do make for amusing conversation, we have found during our many years of analyzing insider behavior that such disclosures may be little more than wily efforts to throw off investors from the bona fide motives of the respective insiders. This year we found a whopper at Titan International Inc., a manufacturer of wheels, tires, and assemblies for off-highway vehicles used in the agricultural, earthmoving/construction, and consumer markets.

Titan is run by **Maurice "Morry" Taylor**, one of the more colorful CEOs in the country who is well known for appearing in screwy "buy American" ads promoting Titan and for running a self-funded bid for the Republican presidential nomination in 1996. On 06/02/08 the larger-than-life Mr. Taylor (pictured left), filed a Form 4 showing sales on 05/29/08 and 06/02/08 covering 125,000[1] shares. At the time, TWI traded at an all-time high of $32 (it would later reach a new high of $37.99 on 07/30/08) after the Company reported record 1Q08 sales and strong profits. Taylor, who is quite brusque in his interactions with money managers and never short of words on conference calls and press releases, has displayed the same candidness on his personal Form 4 filings, and the footnote accompanying the aforementioned filing was a particularly good example, which offered the following rationale for the trade: **"Wife wanted some cash for her account, and pay taxes."**

[1] Share amounts and prices adjusted for 5:4 stock split on 08/18/08.

Taylor has a history of making similarly blunt, if not as amusing, statements on regulatory filings. Take for example the following footnote accompanying his November 2005 sales:

> "I have not intended that my participation with One Equity Partners LLC would exceed over ten million dollars of my holdings. I have intended to sell the remaining shares of my holdings for my own estate planning. I have sold the last few days, 402,500 shares of Titan common shares. I reserve the right to sell any further stock for my estate. I believe that $17 plus was a fair offer, even if others do not. This is my personal opinion and should not be construed that the transaction will proceed or that a definitive agreement has or will be reached."

Notwithstanding Taylor's admission on his June Form 4 filing that the trade was necessitated by his wife's need for some pocket change and that he also owed Uncle Sam, there was more to this transaction than a humorous footnote. The sale erased more than 30% of his actionable ownership (common stock plus exercisable options) at the same time two key finance executives monetized 98% and 100% of their respective holdings. We immediately began a more comprehensive analysis of their accounting and fundamentals, but the shares quickly reversed course and the Company, which at the time of the insider sales had a market capitalization in excess of $1 billion, quickly fell below our minimum market cap criteria before we got very far into our analysis. The shares would ultimately achieve a **C&B Score of 84.1% for 2008**, trailing the S&P 500 by 40%.

More recently we encountered another interesting footnote at Hudson City Bancorp Inc. (NASDAQ: HCBK). Although this one was not as comical, it did compel us to look closer into the trading behavior which we covered in a *Research Notes* dated 12/09/08. Chairman and CEO **Ronald Hermance** filed two Form 4s on 11/24/08 and 11/26/08 disclosing the sale of 2.6 million shares, by far his heaviest volume in the last 10 years, at prices 25% off the 2008 high. Hermance indicated that he diversified nearly 50% of his ownership in anticipation of potential changes to the capital gains tax laws under the new administration, a justification that does not float with us. Considering Hermance's remaining holdings are currently pledged to secure unreported indebtedness, it is more likely this was a hedge against any further price deterioration that could ultimately force him to cover his outstanding loans. And with other HCBK insiders executing unusual trades during the same timeframe (one board member reversed an early 2008 purchase for little profit), it becomes more unlikely these were in fact only forward-thinking, tax-motivated trades.

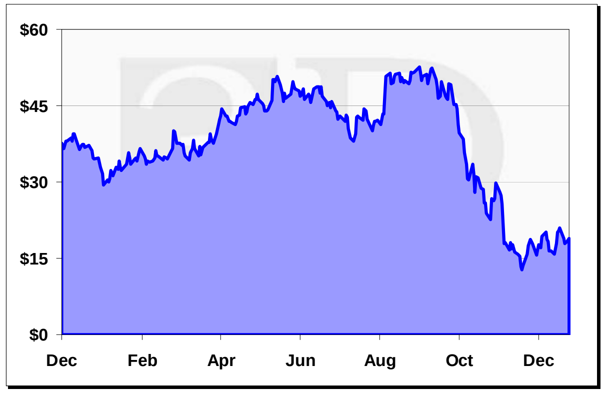
Name	Ticker	Noteworthy Executive Behavior	2008 C&B Score
Warnaco Group Inc.	WRC	✓ Write-offs may suggest channel stuffing ✓ Insider selling picks up after 1Q08 ✓ Letter from CFO denies nothing	**75.9%**

One of the first things we noticed in looking into WRC after the trading profile first got our attention was that the Company, in raising its full-year guidance with the release of 1Q08 results which included $0.13 per share in currency gains, was assuming that the U.S. dollar would weaken further from its already-low levels and continue to provide significant tailwinds for the remainder of the year. Not only was it unusual to see FX gains *assumed* in Company guidance, but there were already signs that a global economic slowdown was beginning to take hold and that the Company's FX tailwinds were in the process of becoming headwinds. Nonetheless, the shares gapped up 10% on the 1Q08 results and guidance hike, a rally into which several insiders sold.

But this was just the beginning of several observations involving noteworthy executive behavior at WRC, a Company that had been trying for years to distance itself from a history of management misdeeds that ultimately led to a bankruptcy filing in June of 2001. For example, an accounting issue that immediately got our attention that we covered in our initial full report on the Company on 06/13/08 was an unusually high level of write offs that consistently exceeded allowances. In effect, it appeared to us that gross revenues were regularly over-stated to the tune of about 10% in each and every quarter, leading us to wonder about the possibility of channel stuffing. The Company's increasing reliance on overseas markets for growth, combined with the possibility of channel stuffing had us soon thinking of parallels to our work on Avon Products Inc. in 2004-2005.

What made WRC stand out as a research story in 2008, though, came in the form of a letter we received from CFO **Lawrence Rutkowski** (pictured left) in mid-July. Mr. Rutkowski wrote to inform us that our original research report had "come to his attention" (apparently he acquired a copy from a client), and that after discussing the report with the Board of Directors, he was hoping to provide us "with a better understanding of our Company and certain of its practices." Right from the start, the strategy Rutkowski took in the letter was to soft peddle their response to the issues raised in the report, saying we simply did not understand the Company. But interestingly, he did not directly deny any of the main points in the report, even those involving the possibility of channel stuffing. It strikes us as a little odd that the CFO of an international apparel business would let such a suggestion pass without specific comment. We made a copy of the letter and our analysis of its contents available to clients in an update on 07/22/08.

Even with Mr. Rutkowski's insistence that all was well with the Company and that we simply did not understand its business, and the fact that their acquisition of our original research report had alerted them to our interest in their trading decisions, this did not stop Rutkowski himself and several other key managers from selling shares shortly after 2Q08 results were announced. In an update report on 08/28/08, we reported that five key executives (including three divisional managers and Rutkowski) had sold between 50% and 95% of their actionable holdings (common stock plus exercisable, in-the-money options) on the year. As is evident from the one-year price chart below, these trades have proven to be quite timely.



WRC recently reported strong revenue and earnings growth in the 3Q08 (quarter ended 10/04/08), but lowered its guidance for the full-year, citing a weak economic environment, stronger dollar and higher effective tax rate. The shares gave up 30% on the news. And even though WRC came in with a **2008 C&B Score of 75.9%**, we remain very interested in the name at the current price levels due to the unique combination of accounting, trading and other executive behaviors, and more specifically because we think the shares have yet to fully reflect the impact of weakened consumer spending, especially outside of the U.S.

Postscripts: SiRF Technology Holdings Inc. (SIRF) and WCI Communities Inc. (WCI)

We decided to add two brief "postscripts" to this report covering names that suffered spectacular collapses in 2008 even though we had not covered them with new research during the year. We did, however, report extensively on both these names in 2006-2007 and the central themes of our coverage did in fact turn out to be their undoing.

- **SiRF Technology Holdings Inc. (SIRF)** Director and co-founder **Diosdado Banatao** filed a Form 4 on 12/15/08 reporting the disposition of 450,000 shares as settlement for a forward sale he entered into on 8/31/07, which was the last of a series of such transactions entered into by Banatao dating back to late 2005. SIRF, once a dominant player in the market for GPS chip sets, has been overwhelmed by cheaper, faster and smaller chips offered by rivals, and also lost a key patent infringement case to Broadcom Corp. (BRCM). SIRF was covered by us in 7 reports dating back to late 2005, and ended **2008 with a C&B Score of 96.4%.**

- After years of denial insisting buyers of its luxury high-rise tower condominiums were not speculators which it used to justify maintaining default rates as low as 1%, **WCI Communities Inc. (WCI)** entered Chapter 11 bankruptcy protection in August, 2008 as speculators walked away from their deposits, leaving the Company saddled with high-priced condos for which it had already booked revenue under percentage of completion accounting rules. We covered WCI in 9 separate reports dating all the way back to March of 2005 when the stock traded in the low $30s. WCI came in with a **2008 C&B Score of 99.0%.**