



This 3DAdvisors Report Covers:

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

Insider Research Bulletin

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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

- ▶ Hologic Inc. (NASDAQ: HOLX)
- ▶ Thermo Fisher Scientific Inc. (NYSE: TMO)
- ▶ Waste Connections Inc. (NASDAQ: WCN)

Discussion of 3DAdvisors Findings

Hologic Inc. (NASDAQ: HOLX)

In the past five years we can recall only two situations which have presented an insider profile comparable to what we have seen unfold at Hologic and its new subsidiary Cytac Corp., where insiders were active profit takers both before *and* after the closing of the acquisition. In both cases, Cooper Cos. (NYSE: COO) and Sprint Nextel Corp. (NYSE: S), the behavior proved to be an early forewarning of unforeseen fundamental issues that continued to hinder their operations well after each deal. For this reason, we are paying close attention to Hologic.

We issued our first coverage (Insider Research Bulletin dated [02/27/07](#)) on the diagnostic equipment manufacturer early in the year after insiders were quick to cash in on the 20% gains that resulted from a FYQ1 earnings surprise. Little did we know that just a few months later the Company would announce that it had agreed to acquire Cytac Corp. in a cash and stock deal to form a \$10 billion leader in women’s healthcare.

According to Hologic's chief executive **Jack Cumming**, the two companies' merger was "not about cutting costs, it is about creating growth." To this point, we have seen few inside stakeholders from either side that are willing to hold their equity in order to benefit from the projected long-term payoff. Cytyc shareholders were rewarded handsomely by the 33% premium Hologic paid to buy the cross-town company, which set in motion the most prolific insider sell-off in company history. Between the time a post-earnings trading window opened in August and the closing of the deal on October 22nd, Cytyc insiders sold 2.6 million shares, nearly matching the total sold between 2004 and 2006. More importantly though is the amount of stock that has been sold *since* the merger closed, but allow us to start from the beginning.

The Cytyc sell-off that began on August 1st was all-encompassing, as all 14 of the Company's Section 16 officers and directors were quick to take action. Even though most Cytyc executives were offered positions and potential cash retention bonuses at Hologic, it was probably known at this point who would be leaving altogether, including the four board members who were not extended offers to join the Hologic board. The most prominent names to leave were named officers CFO **Timothy Adams** and Senior V.P. of Corporate Development **John McDonough**, along with General Counsel **A. Suzanne Meszner-Eltrich**. Rather than allow their Cytec stock and options to be converted to Hologic shares (0.52 HOLX for each 1 of CYTC), for which they would have also received \$16.50 per share in cash, the three opted to clear out between 90% and 98% of their actionable positions prior to the merger. As the table below shows, all four of the departing board members also sold off the majority of their ownership during this timeframe.

Insider	CYTYC Position	% Ownership Sold Before Merger
Timothy Adams	CFO	99%
John McDonough	Pres. of Development	98%
A. Meszner-Eltrich	General Counsel	90%
Walter Boomer	Director	95%
Brock Hattox	Director	85%
Marla Persky	Director	85%
Wayne Wilson	Director	97%

Clearly, it is not uncommon for insiders from a company being acquired to sell. We feel, however, that there are certain elements to the selling of Cytyc insiders, both before and after the deal, that warrant consideration. Leading the list of names from the group who accepted positions at Hologic are Cytyc's top two officers, and largest inside shareholders, Chief Executive **Patrick Sullivan** and **Daniel Levangie**, who headed up the Surgical Products division. Despite receiving change of control payments as well as cash retention bonuses totaling \$6.3 million and \$3.6 million, respectively, both officers traded in shares for cash prior to the merger. Levangie cleared out 100% of his shares and vested options, while Sullivan's sales covered a smaller percentage (10%) of his

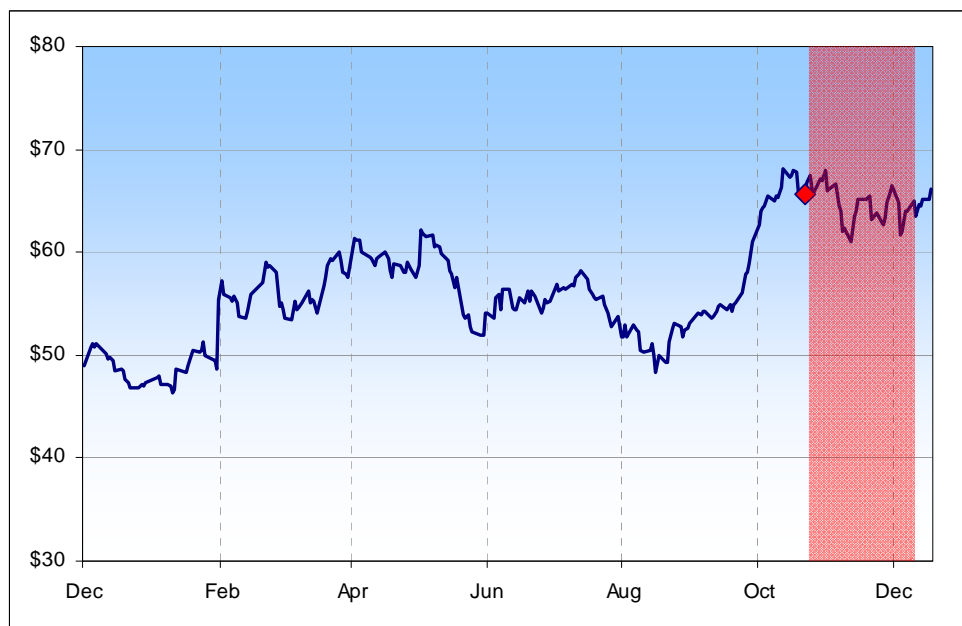
ownership. But this was just the tip of the iceberg for both. Five of the seven Cytec insiders who accepted positions at Hologic sold in the August to October period.

Insider	Cytec Position	Hologic Position	% Ownership Sold Before Merger
John Sullivan	CEO, Director	Executive Chairman	10%
Daniel Levangie	Div. Pres., Director	Director	100%
Sally Crawford	Director	Director	40%
C. William McDaniel	Director	Director	80%
Wayne Wilson	Director	Director	97%

It is important for us to remind our clients that there was no necessity related to the merger that would prompt them to act on their options and shares before the deal closed. None of the options monetized was nearing expiration and both vested options and unvested options that were scheduled to be accelerated would have been converted to actionable HOLX options at the same exchange rate as their common. In many 'stock only' merger situations, a degree of selling can be expected as insiders, who in most cases are prohibited from trading for a lengthy period leading up to a merger, would typically react by taking some cash off the table. Since this was a stock and cash deal, Cytec insiders would have benefited two-fold by getting the \$16.50 per share as well as any upside in their new Hologic equity. The fact they settled for the cash ahead of time, combined with the aggressive sales over the past month (see below), does little to persuade us they expect the issue to break out of the trading range it's been in since the merger anytime soon.

Here is where things get even more interesting. Between October 24th and December 12th nine Hologic insiders divested a total of 1,864,852 shares, with some being sold at prices as low as \$61, roughly 10% below the post-merger high of \$68. Without question, the key seller has once again been Chairman Sullivan, who continued trading under his pre-existing 10b5-1 trading plan. The 1.3 million shares distributed during this period represented 73% of his new Hologic position, which has no chance of being re-stocked due to the absence of unvested derivative equity that otherwise would have begun vesting downstream. In similar merger-related insider stories it is fairly common to see the top guys (Chairman and CEO) of the acquired company sign on with the new company only to resign shortly after. We do not expect this to be the case here, as Sullivan signed a retention agreement that rewards him with \$1.5 million in cash and \$1.5 million in restricted stock if he remains with Hologic for two years. Following Sullivan's lead were a handful of incumbent Hologic officers who were previously locked out from selling. President and Chief Operating Officer **Robert Cascella**, an executive we highlighted in our earlier report, sold nearly 40% of his position in 2007 and has only a few thousand restricted shares scheduled to vest next year. Two independent board members each cashed in 90% of their holdings (see below), while the head of sales, **John Pekarsky**, drained nearly all equity at his disposal.

Figure 1. HOLX Daily Closing Price, 12/01/06 through 12/18/07. Red diamond indicates when the merger closed; Red shaded area is where nine insiders sold 1.86 million shares. Source: Reuters and HOLX SEC Filings.



In conjunction with the Company's December 10th sale of \$1.7 billion in convertible senior notes, all 18 executive officers and directors entered into lock-up agreements that prohibit them from selling for 90 days. It would have seemed that the incessant selling had come to a temporary end, but our presumption proved incorrect when Senior V.P. Pekarsky surfaced on December 12th to cash out the remainder of his ownership. One possible explanation is that he sold pursuant to a previously open 10b5-1 sales plan, which would be allowed under the lock-up agreement. Although this exemption is fairly common since the passing of Rule 10b5, it does seem somewhat specious to see lock-up agreements that exempt insiders, who have 10b5-1 plans in place, from the provisions and the spirit of the lock-up itself. Yet, it would seem that even given the loophole, Pekarsky managed to violate the lock-up. We say this because the Company has been very efficient at indicating which insider sales have been executed under a plan and neither of Pekarsky's two dispositions in the current quarter included the appropriate 10b5-1 identification. We put in two calls to Hologic for an explanation how he was able to circumvent the lock-up but are yet to hear back. One would assume that if this was a simple filing error, they would want to clarify that Pekarsky was in compliance, and better yet, probably would have quickly issued an amendment to the filing.

- **Patrick Sullivan (55)*** – Executive Chairman. There is no precedent for the behavior we have seen from Cytoc's former chief in recent months. After selling 215,000 shares ahead of the merger, the vesting of his remaining Cytoc derivative equity was accelerated and converted to 1.84 million HOLX options and shares. **Since then he has sold 1.34 million (73%), under a 10b5-1 plan adopted in September, for a pre-tax profit of \$50 million.** The sales, which began just two days after the October 22nd merger date, were executed at prices ranging between \$61 and \$66. For the past four years Sullivan has been a regular but disciplined

seller under four consecutive pre-arranged plans. During this multi-year period his ownership remained steady (due to the scheduled vesting of options), evidencing his desire to maintain a sizeable investment in the company. He apparently does not hold his Hologic shares in the same regard, as he has now sold the majority of his stake and currently holds no new derivative equity scheduled to vest in the next two years (see Appendix A).

- **Daniel Levangie (56)** – Director. Levangie, Sullivan’s right hand man at Cytyc, was also the company’s second largest inside shareholder for the past eight years. Like Sullivan, he had been a regular 10b5-1 seller from 2004 to 2006, but his ownership remained steady at 1.1 million vested options and shares. Despite being given a board seat at Hologic, he cashed in his entire Cytyc position (935,000 shares) between October 1st and October 12th ahead of the merger date. Once his unvested derivative equity was accelerated and converted to HOLX options, he would then sell all of his new HOLX position. From October 24th to October 26th Levangie monetized 268,000 options from four different series with expiration dates at least six years out, netting \$8.3 million. Oddly, *these trades were filed six weeks late*, not within the required two days following the actual sales. The profits from his sales were in addition to the \$3.8 million lump sum cash payment he was awarded for relinquishing his executive position, but his current status remains unclear. The Company lists him as a current board member, yet he did not receive the post-merger option award given to all board members. Additionally, he has yet to receive the restricted stock award, valued at \$500,000, which was written into his retention agreement. If he intends to remain on the board, this marks the second Cytyc officer who has opted to take cash for their new HOLX equity. At this time he does not have any derivative equity scheduled to vest downstream (see Appendix A).
- **Stuart “Tony” Kingsley (43)** – President, GYN Products. Despite only having been with Cytyc for less than a year when the merger was announced, Kingsley is one of the few officers given a high-level position at Hologic. He has benefited in more ways than one, as the sizeable new-hire award he was given in July 2006, along with a second grant issued in January, were accelerated upon the closing of the deal. He was quick to take advantage of his newly-vested equity, monetizing 100,000 options, **equal to 50% of his actionable position**, on November 14th at \$63. The particular option series he exercised, which netted him \$3 million on the sale, had nine years remaining before expiration. Not a bad payday at all for having been on the job just one year, although he previously was a consultant to Cytyc during his time at McKinsey & Co. Kingsley does not presently have any unvested equity, so it will be years before he will replace the shares he recently sold (see Appendix A).
- **John Pekarsky (53)*** – Senior V.P., Sales and Strategic Accounts. Despite having been with the Company since 2000, and receiving annual option awards during this period, Pekarsky consistently maintains very low ownership levels. His latest sales, on November 16th and December 12th, covered 10,882 shares (**99% of holdings**) and leave him with only 757 shares of common. Unlike past years, however, he does not have any derivative equity scheduled to vest in 2008 (see Appendix A) and will carry through the year with nearly no ownership. We are also very interested to learn more about his latest December sale, which occurred two days after the start of a lock-up period that theoretically was supposed to prohibit him from selling for 90 days after the Company completed its sale of nearly \$2 billion in convertible notes.

- **Incumbent Hologic Board Members** – Two key independent Hologic board members, **Nancy Leaming** (60) and **Lawrence Levy** (69) were also sellers after the merger closed. Leaming, who joined the board in 2003 and holds a seat on the Audit and Compensation Committees, sold 16,000 shares, **which accounted for nearly 90% of her actionable ownership**, on November 19th. Levy, a seasoned securities attorney, was Hologic's secretary from 1985 to 2005 and has been a board member for the past two years. On November 9th he executed only his second sale in the past 20 years, monetizing 20,000 options that were not scheduled to expire until December 2015. **The sale shed 90% of his holdings**, which similar to Leaming, does not include any common stock ownership. Both directors will have roughly 66,000 options become actionable in January (see Appendix A), thanks in part to a large grant issued to all directors after the recent merger, so the holdings distributed will be replaced.

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

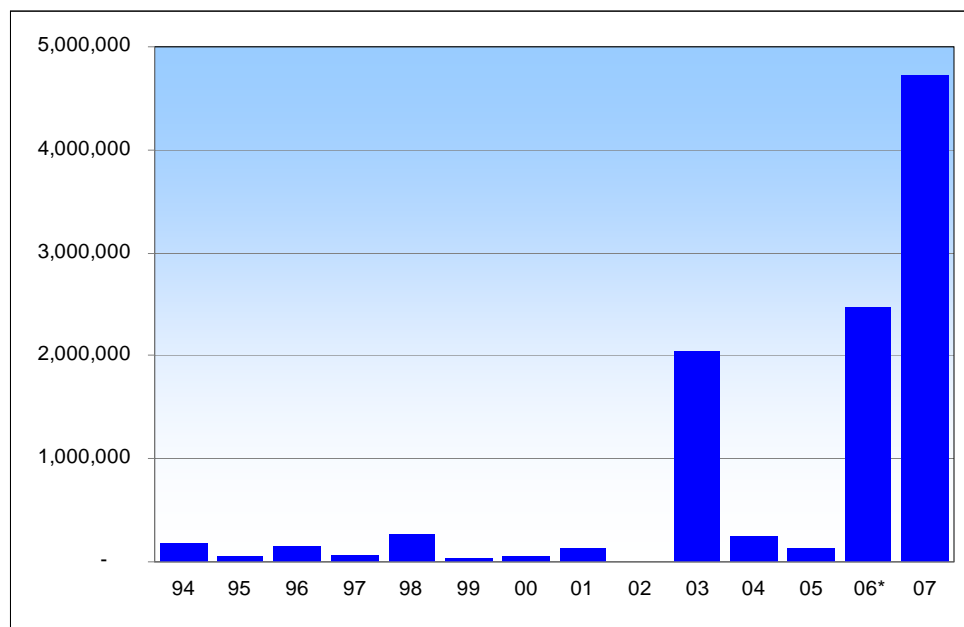
Thermo Fisher Scientific Inc. (NYSE: TMO)

We are always alert to insider activities that involve an uncharacteristically high degree of insider profit taking following a merger or large acquisition. These situations are typically complex to analyze, as there are not only a lot of moving parts within the newly-combined financials, but uncertainty within the leadership ranks until the key players are firmly entrenched. Since the onset, the marriage of Thermo Electron and Fisher Scientific has been lauded by Wall Street, and by all accounts, has proven to be quickly accretive and the blending of the two cultures seems to have gone smoothly. TMO beat the consensus for its top and bottom line numbers in its third quarter (period ending September 29th) and increased guidance for the current quarter, which we expect will be released in early February. But with the Company seemingly hitting on all cylinders right now, we are left wondering why management, both former Thermo Electron and those from the Fisher side, have seemed relentless in their efforts to monetize large chunks of their ownership. In all, nearly 7 million shares have been sold since the merger closed, including 3 million over the past four months at prices between \$50 and \$59.

It is fairly common to see a certain degree of profit taking after a merger, as insiders are typically restricted from selling ahead of a deal, and in the case of the acquired company, benefit from their unvested derivative equity being accelerated prior to conversion. In this instance, however, the derivative equity of the Thermo Electron (acquirer) officers and directors was accelerated as well due to the nature of the deal (reverse merger), which triggered the 'change of control' provision within the equity incentive plans. The deal was structured ideally to allow Thermo Electron to retain management control of the Company, including the board, while also giving insiders access to equity that otherwise would not have vested for a number of years. The only exception involves TMO's chief executive, **Marijn Dekkers**, who waived his right to accelerate his unvested options. Despite this exclusion, Dekkers has been front and center in this profit-taking round, cashing in nearly 90% of his actionable position since the November 9, 2006 merger. And we are not talking about small numbers by any means, as he sold off 2.5 million shares for a profit of \$77 million (net of option exercise costs). Just as significant as the large numbers is the manner in which he has utilized 10b5-1 sales plans to monetize the majority of his ownership.

Thermo Fisher disclosed Dekkers' first pre-arranged selling plan in a press release¹ dated November 13, 2006. It was reported that he would be selling 1.04 million shares through July 2007. However, he sold out the full allotment in less than 60 days. He would resume his trading, out of plan, in August, only to enter into a second plan later that same month. The Company once again made his intentions public², but this time around, was far from accurate in reporting his actual intent. After the press release, Dekkers cleared out 140,000 shares, out of plan, before commencing his plan sales and has since sold the full 780,000 shares, through November 27th, that the Company reported he intended to sell under his plan. But a closer look at his trades during this period reveals Dekkers also sold 300,000 shares *outside of his plan* on November 6th and November 7th as well. We also note that he amended his plan on November 6th, marking the third time he has adopted or modified a plan in the past year. Since it is unlikely the amendment was filed to increase any possible price floors that may have been written into the plan, our best guess would be that he has increased the amount of shares reserved to be sold under the plan and will continue selling in the near term.

Figure 2. Annual Selling Volume of Thermo Fisher Scientific Insiders, 1994 through December 18, 2007. Source: TMO SEC Filings.



* Of the 2.4 million shares sold in 2006, 2.2 million were sold after the November 9th merger

Dekkers' 10b5-1 plan activity, along with that of many of his lieutenants, fails to meet a number of our 'best practices' criteria along with those recommended by

¹ "Thermo Fisher Scientific Director and Certain Executive Officers Adopt SEC Rule 10b5-1 Trading Programs", PRNewswire-First Call. November 13, 2006.

² "Thermo Fisher Scientific Executive Officers Adopting SEC Rule 10b5-1 Trading Programs", PRNewswire-First Call. August 20, 2007.

reputable securities attorneys. Not only have they disregarded the 30 to 60 day wait period that is suggested to avoid claims of trading while in possession of material information, they have also sold significant percentages of their holdings in a short timeframe, and been vague in disclosing the actual individuals who have entered into plans and the number of shares they intended to sell. Most importantly, they have gone outside of their trading plans to sell additional shares. We cannot stress enough that this is aggressive behavior occurring under the camouflage of the safe harbor of 10b5-1 plans. What's more, not lost on us is the fact that all five of TMO's named executive officers adopted new trading plans shortly after the board authorized a \$700 million repurchase plan in August. They have yet to tap into the \$300 million plan already approved last March and in place that will expire in February.

To a certain extent, the selling that has taken place over the past year can be attributed to the abundance of new options insiders from both sides had at their disposal, but the volume has surpassed any reasonable expectations. The selling volume of Thermo Electron insiders over the ten year period before the merger was roughly 300,000 annually, while Fisher Scientific insiders were slightly less restrained traders. This shift in trading behavior is evident from both sides, as we have seen Fisher officers showing the same tilt towards selling more shares. Fisher's former vice chairman **Paul Meister**, who assumed the chairman position after the merger, sold 2.4 million shares immediately after the deal. He stepped down from the board in April, so it is very possible he has shed even more of his holdings since he is not required to file the trades once he is six months past his exit date. Additionally, the head of customer excellence, **Fredric Walder**, the president of the Customer Channels Group **Alan Malus**, and Senior V.P. of Global Business Services **Joseph Massaro**, each sold 25% to 60% of his holdings in recent months.

On a final note, we should point out that little of the ownership diversified away in the past year is going to be replenished anytime soon by the downstream vesting of restricted stock and options. Executives cashed out a significant amount of their derivative equity with very little scheduled to vest through 2008 due to the change of control acceleration. The table below shows the amount each officer sold since the merger compared to the number of stock and options they will have vest through next December. It becomes increasingly more evident they have collectively opted to turn their equity into cash now rather than wait to reap the rewards of continued market share gains, which we understood to be one of the rationales for the merger.

Named Executive	Position	Shares Sold Nov. 06 – Dec. 07	Derivative Equity Vesting in 2008
M. Dekkers	President, CEO	2,555,750	423,200
P. Wilver	CFO	221,906	30,300
G. Broadbent	Pres of Lab Products	612,813	35,000
M. Casper	Pres of Analytical Tech	490,000	57,580
S. Hoogasian	General Counsel	240,171	26,000

Below is a more comprehensive description of the activity of those we deem to be the most significant sellers:

- **Marijn Dekkers (49)*** – President, Chief Executive Officer, Director. Dekkers has been very busy, in more ways than one, since acquiring Fisher back in November 2006. Almost immediately after the deal closed, he adopted his first prearranged stock sales plan and has been a regular seller since. Currently in his second plan, **Dekkers has cleared out six different non-expiring option series to sell off roughly 90% of his position since the merger**, including 557,000 shares in November at an average price of \$57. Between the time he became a registered Section 16 filer in 2000 and the merger, he had sold only once, a small trade covering 45,000 shares in July 2003. These sales do little to persuade us that TMO shares are heading higher. Dekkers will have 300,000 options and restricted shares become actionable in February and another 125,000 in November 2008 (see Appendix B), but these will replace just one-fifth of the total sold since November 2006. Dekkers' employment agreement ends at yearend and we are yet to see a new agreement or renewal provided.
- **Guy Broadbent (43)*** – Senior V.P.; President, Laboratory Products Group. Broadbent has certainly accelerated his profit taking since the merger, selling a total of 600,000 shares, **or roughly 95% of his actionable ownership**, since last November. This is quite an increase from the 30,000 shares he had sold in total between 2001 and 2006. The last 200,000 sold, all in late September, came just one week after he entered into a 10b5-1 sales plan and coincided with a run-up in the stock price. He is not scheduled to vest in any new options until next November, at which time he will gain access to just 35,000 new shares (see Appendix B).
- **Peter Wilver (47)*** – Senior V.P., Chief Financial Officer. Although Wilver has been with the Company for seven years, he has been a Section 16 filing insider for only the last four. His first Form 4 sale disclosures occurred this past August as he needed to act on 40,000 options that would expire the following month. He would then adopt a 10b5-1 sales plan in September and begin selling just one day later, and has since adopted his second plan on November 29th. In all, Wilver has sold 221,000 shares in the last four months, **shedding 45% of his position**. With just 13,000 shares having been sold under his new plan, we anticipate further profit taking in the near term. He will have 30,000 options and restricted shares become actionable in 2008, although none will vest until next November (see Appendix B).
- **Seth Hoogasian (52)*** – Senior V.P., General Counsel, Secretary. Hoogasian has been TMO's head counsel since 1992 and one of the more active sellers since initially filing back in 2001. Yet, his ownership levels have remained relatively unchanged over this period. That was until this year, as **the 240,000 shares sold year to date have lowered his holdings by 55%**. This was by far the most aggressive selling we have seen from him, the majority of which was done through two separate trading plans. After completing his second plan in September, he came forth autonomously in November to monetize 45,000 options not set to expire until February 2012, in the \$57 range. Hoogasian will only have 26,000 new shares at his disposal when the next round of option and stock vesting takes place next November (see Appendix B).

- **Joseph Massaro (37)** – Senior V.P., Global Business Services. Massaro was not a Section 16 insider during his four years with Fisher Scientific, so we have a limited trading history to analyze. Yet, his ownership goals do not require any qualification as he has been an aggressive seller since the merger. Massaro began selling in December 2006, just weeks after entering into his own sales plan, and picked up again in the fourth quarter after a ten month respite, only this time without the assistance of a plan. On November 16th he monetized the last of his vested options (expiration date: November 2013), and sold common, totaling 21,456 shares, **or 60% of his actionable holdings**. All that remains is part of his Fisher common that was converted in the acquisition, which has already been cut in half. He will have 6,000 options vest at the end of this month and another 20,000 next November (see Appendix B).

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

Waste Connections Inc. (NYSE: WCN)

Within the waste management industry, Folsom, California based Waste Connections, a regional firm with \$600 million in revenue through the first three quarters of the year, gets overshadowed by the bigger players such as Waste Management (\$9.9 billion in revenues), Allied Waste (\$4.5 billion), and Republic Services (\$2.3 billion). But do not think the Company, which operates primarily in rural markets, or its investors, mind its smaller stature. The Company has outperformed the four named above by at least 200% since 1999. This year alone, before the November market volatility dragged the shares down from their 2007 high of \$34, Waste Connections was outpacing WMI and AW by nearly 30%. But once the issue breached a new high on the October 22nd Q3 earnings release and a subsequent analyst upgrade, and with the shares then appearing richly valued compared to their peer group, insiders wasted little time locking in the gains. Between October 25th and October 31st six of them sold 515,313 shares at an average price of \$33, which was later followed by one director selling 5,000 shares on December 7th at \$31.

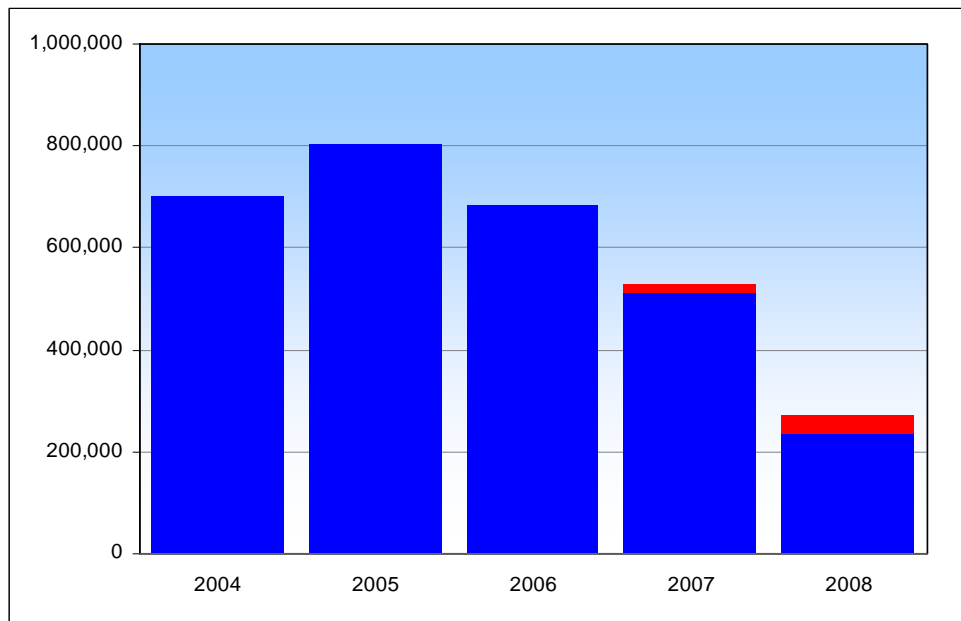
Although the volume in the fourth quarter is large, we cannot report that it set any records. In fact, as recently as the second quarter, sales led by Chief Executive **Ronald Mittelstaedt** covered more shares (788,884). But our attention is directed at the accumulative effect all of the sales have had on their holdings, which now stand at their lowest levels in years, without the prospect of replenishment in the near future. The ownership erosion was accelerated when those insiders, who traded in a controlled manner under 10b5-1 trading plans earlier in the year, abandoned that strategy in the fourth quarter to sell without constraints or limitations. Take for example the Company's general counsel, **Robert Evans**, who has sold in and out of trading plans since early 2006. Without the assistance of a plan, Evans sold nearly as many shares in the last week of October as he had in total since joining WCN in 2002. His 2007 sales have erased 85% of his actionable holdings. In fact, such year-to-date percentage reductions across the board are unprecedented, and as we will show further along in this report, will have a lasting effect on the holdings of those involved in the years to come. In effect, it seems as if a number of them have determined that now is the time to take profits.

In the early stages of our research process, it had seemed that the sales covered only small percentages of the holdings of those involved when computing the reductions

using the Company's beneficial ownership figures provided in the Proxy. But a closer look through the fine print revealed that when the Company had originally accelerated all unvested stock options in October 2005 in advance of the effective date of SFAS 123(R), a 'resale restriction' was attached to them which, in effect, makes many of them unexercisable, in spite of the fact that they have vested. Consequently, the Company's insider ownership figures include non-actionable shares, which by definition are not beneficially owned since the holder does not yet have investment power over the options. Once these restricted options were subtracted out, the sales took on new meaning. In addition to GC Evans' 85% reduction, the five other officers who sold in October shed between 55% and 99% of their actionable holdings.

The large reductions become even more pronounced when we take into account the decline in the downstream vesting of restricted stock and options. A few years back the Compensation Committee brought in an independent compensation consultant (Pearl Meyer) to analyze the Company's comp structure. It was determined that Waste Connections trailed the comparator group in cash-based incentives (base salaries and bonuses), but option awards were near the top. To mitigate this, salaries are being slowly increased while option grants have been quickly decreased. Figure 2 below illustrates the amount of options and restricted stock the five named officers have had vest, or will have vest, annually between 2004 and 2008. There is a precipitous 60% drop off between 2006 and 2008, which we would anticipate should have encouraged management to pace their sales. Instead we are seeing just the opposite, as the higher cash compensation has not been an incentive for them to retain more of their equity.

Figure 3. Annual Vesting of Stock Options (Blue Bars) and Restricted Stock (Red Bars) for WCN Executive Officers. Source: WCN SEC Filings.



Another recommendation made by Pearl Meyer was that the Compensation Committee should incorporate performance contingent restricted stock in the mix of derivative awards. Waste Connections admittedly shot down this idea, which raises the question why, if management is as confident in its earnings projections and upside of

WCN shares as they implied on the Q3 conference call, they would not want to tie their comp to these measures, especially when performance grants typically reward additional shares for exceeding the pre-established targets. On a final note, we should point out that Waste Connections' insiders are the only ones in the industry that have taken profits in the past two quarters. In fact, four Republic Service Group officers, who were routine sellers over the years, surfaced in August to buy shares in the \$28 range before the issue would rally 20% to close the month of October at a new all-time high. For those looking for a short idea within the group, it would seem that Waste Connections, based on the insider behavior, would be a good place to start, especially if the shares get back to the insiders' exit point of \$33 to \$34.

- **Robert Evans (60)*** – Executive V.P., General Counsel, Secretary. Although Evans only joined the Company in 2002, he had been the Company's primary outside counsel since its formation in 1997. He is as informed as any other officer, which is the reason we are very interested in his recent behavior. The 445,000 shares he sold this year is nearly quadruple the amount he had sold cumulatively between 2002 and 2006. More importantly, the majority of the shares (343,000) came out between July 26th and October 31st. **This year alone he has sold 85% of his actionable ownership**, which resulted from the monetization of options years ahead of their expiration dates (June 2012 through February 2014). Last year, and even early in 2007, Evans was an intermittent, and quite frankly, opportunistic 10b5-1 trader, having sold in and out of undisclosed plans at his convenience. He has now unloaded the majority of his position without the assistance of a plan down the stretch. To be fair, Evans exercised 18,000 options on November 14th and retained the full amount, but we attribute this to his obligation to meet newly-implemented ownership guidelines. He will have 44,000 options and shares become actionable throughout 2008 (see Appendix C), but these will fall well short of making him whole following his 2007 sell-off. Here are his holdings as reported in the Proxy dated March 1st of each year, with our 12/01/07 estimate at the right.

03/01/03	03/01/03	03/01/04	03/01/05	03/01/06	03/01/07	12/01/07
135,000	137,250	246,001	343,500	456,001	510,172	92,110

- **Darrell Chambliss (42)*** – Executive V.P., Chief Operating Officer. Chambliss, like most of the WCN hierarchy, has crossed our screens plenty of times over the years. As a result of the frequent activity, his holdings are now just a fraction of what they were in years past. The erosion accelerated in 2007 when he sold a total of 163,000 shares, 71,855 of which were disposed on August 7th and October 29th at an average price of \$32. **The shares sold this year accounted for 65% of his actionable ownership**. Chambliss will vest in 44,000 options and shares in 2008 (see Appendix C), but this is down considerably from the 219,000 he gained over the past two years. Again, here are the holdings reported in the Proxy, followed by our estimate on 12/01/07.

03/01/03	03/01/03	03/01/04	03/01/05	03/01/06	03/01/07	12/01/07
258,486	334,683	398,538	311,305	255,186	253,250	90,453

- **Eugene Dupreau (59)** – V.P., Western Region, Director. Dupreau joined WCN, as both an officer and board member, in 1998 when his firm (Madera) was acquired by

the Company. He has been a fairly orderly and consistent seller over the years, cashing in roughly 100,000 shares annually. After selling under a personal sales plan early in 2007, he cleared out 30,000 shares out of plan on October 25th. **His year-to-date activity shed 55% of his actionable position**, which is now at its lowest level in the last ten years and comprised mostly of common stock. He will pick up roughly 30,000 shares next year through the vesting of option and restricted stock (see Appendix C), but at the current pace it would take nearly five years for him to restock his ownership.

03/01/03	03/01/03	03/01/04	03/01/05	03/01/06	03/01/07	12/01/07
423,330	382,500	335,886	311,305	298,825	254,878	113,278

- **David Hall (49)** – Senior V.P., Sales and Marketing. Hall, now in his tenth year with Waste Connections, **cleared out his entire position in one fell swoop just two sessions after the Company released Q3 earnings.** On October 25th he monetized all vested options at his disposal, which came from four different series with expiration dates between February 2013 and February 2016, to sell 122,251 shares at \$33. This was his largest sale in the past ten years, only his second in the past three years, and leaves him with just 861 shares of common. He will have 27,000 options and shares vest in February, but that will be it for the remainder of 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 Hologic 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
Robert Cascella, President, Chief Operating Officer. Common stock holdings: 0 shares								
02/17/03	Options	150,000	\$3.84	02/17/04	02/17/13	75,000	0	Fully Vested
11/06/03	Options	140,000	\$7.12	11/06/04	11/06/13	60,000	0	Fully Vested
09/23/04	Options	100,000	\$9.50	09/23/05	09/23/09	70,000	0	Fully Vested
05/03/06	R. Stock	10,781	N/A	12/31/08	12/31/08	10,781	10,781	12/31/08
10/30/06	R. Stock	3,623	N/A	10/30/09	10/30/09	3,623	3,623	10/30/09
10/22/07	R. Stock	15,237	N/A	10/22/10	10/22/10	15,237	15,237	10/22/10
10/22/07	R. Stock	2,666	N/A	10/22/09	10/22/09	2,666	2,666	10/22/09
Sally Crawford, Director. Common stock holdings: 13,774 shares								
01/02/01	Options	43,059	\$25.28	10/22/07	01/02/11	361	0	Fully Vested
01/23/01	Options	34,601	\$26.99	10/22/07	01/23/11	34,601	0	Fully Vested
02/09/05	Options	12,302	\$31.62	10/22/07	02/09/15	12,302	0	Fully Vested
01/24/06	Options	12,302	\$36.96	10/22/07	01/24/16	12,302	0	Fully Vested
01/23/07	Options	12,302	\$36.64	10/22/07	01/23/17	12,302	0	Fully Vested
10/22/07	Options	50,000	\$65.63	01/01/08	10/22/17	50,000	50,000	01/01/08
John Cumming, Chief Executive Officer, Director. Common stock holdings: 4,500 shares								
11/06/03	Options	240,000	\$7.12	11/06/04	11/06/13	60,000	0	Fully Vested
11/03/04	Options	132,500	\$10.17	11/03/05	11/03/15	132,500	0	Fully Vested
09/15/05	Options	25,000	\$46.92	09/15/05	09/15/15	25,000	0	Fully Vested
05/03/06	R. Stock	32,342	N/A	12/31/08	12/31/08	32,342	32,342	12/31/08
10/30/06	R. Stock	5,176	N/A	10/30/09	10/30/09	5,176	5,176	10/30/09
10/22/07	R. Stock	3,809	N/A	10/22/09	10/22/09	3,809	3,809	10/22/09
By Wife								
09/17/02	Options	5,000	\$4.64	09/17/03	09/17/12	5,000	0	Fully Vested
Stuart "Tony" Kingsley, President-GYN Products. Common stock holdings: 1,452 shares								
07/26/06	Options	192,227	\$31.10	10/22/07	07/26/16	92,227	0	Fully Vested
01/23/07	Options	11,532	\$36.64	10/22/07	01/23/17	11,532	0	Fully Vested



Appendix A

Option and Restricted Stock Vesting Schedules for Selected Hologic 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
Nancy Leaming, Director. Common stock holdings: 0 shares								
09/30/03	Options	50,000	\$6.80	01/01/04	09/30/13	10,000	10,000	01/01/08
01/01/06	Options	8,000	\$37.92	07/01/06	01/01/16	2,000	2,000	01/01/08
01/01/07	Options	8,000	\$47.28	07/01/07	01/01/17	8,000	6,000	01/01/08, 07/01/08, 01/01/09
10/22/07	Options	50,000	\$65.63	01/01/08	10/22/17	50,000	50,000	01/01/08
Lawrence Levy, Director. Common stock holdings: 0 shares								
12/13/05	Options	50,000	\$35.68	01/01/06	12/13/15	30,000	30,000	01/01/08, 01/01/09, 01/01/10
01/01/07	Options	8,000	\$47.28	07/01/07	01/01/17	8,000	6,000	01/01/08, 07/01/08, 01/01/09
10/22/07	Options	50,000	\$65.63	01/01/08	10/22/17	50,000	50,000	01/01/08
Daniel Levangie, Director. Common stock holdings: 6,334 shares								
none								
John Pekarsky, Senior V.P.-Sales and Strategic Accounts. Common stock holdings: 757 shares								
10/30/06	R. Stock	518	N/A	10/30/09	10/30/09	518	518	10/30/09
10/22/07	R. Stock	381	N/A	10/22/09	10/22/09	381	381	10/22/09
Patrick Sullivan, Executive Chairman. Common stock holdings: 127,773 shares								
01/23/01	Options	282,582	\$26.99	10/22/07	01/23/11	24,740	0	Fully Vested
11/20/03	Options	203,138	\$16.45	10/22/07	11/20/13	86,120	0	Fully Vested
02/09/05	Options	150,620	\$31.62	10/22/07	02/09/15	73,730	0	Fully Vested
01/24/06	Options	151,074	\$36.92	10/22/07	01/24/16	112,629	0	Fully Vested
01/23/07	Options	74,162	\$36.64	10/22/07	01/23/17	74,162	0	Fully Vested
10/22/07	R. Stock	22,855	N/A	10/22/10	10/22/10	22,855	22,855	10/22/10



Appendix B

Option and Restricted Stock Vesting Schedules for Selected Thermo Fisher Scientific, 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
Guy Broadbent, Senior V.P., President-Laboratory Products Group. Common stock holdings: 14,178 shares								
11/09/06	Options	151,400	\$43.37	11/09/07	11/09/13	151,400	121,120	11/09/08, 11/09/09, 11/09/10, 11/09/11
11/09/06	R. Stock	13,000	N/A	11/09/07	11/09/09	8,667	8,667	11/09/08, 11/09/09
Marc Casper, Executive V.P., President-Analytical Technologies Group. Common stock holdings: 31,672 shares								
02/27/06	Options	190,000	\$34.86	02/27/07	02/27/13	190,000	0	Fully Vested
11/09/06	Options	251,900	\$43.37	11/09/07	11/09/13	251,900	201,520	11/09/08, 11/09/09, 11/09/10, 11/09/11
11/09/06	R. Stock	21,600	N/A	11/09/07	11/09/09	14,400	14,400	11/09/08, 11/09/09
Marijn Dekkers, President, Chief Executive Officer, Director. Common stock holdings: 81,656 shares								
02/25/05	Options	438,000	\$27.40	02/25/06	02/25/12	146,000	146,000	02/25/08
02/27/06	Options	450,000	\$34.86	02/27/07	02/27/13	450,000	300,000	02/27/08, 02/27/09
11/09/06	Options	549,900	\$43.37	11/09/07	11/09/13	549,000	439,200	11/09/08, 11/09/09, 11/09/10, 11/09/11
11/09/06	R. Stock	47,200	N/A	11/09/07	11/09/09	31,467	31,467	11/09/08, 11/09/09
01/07/07	R. Stock	5,000	N/A	01/07/08	01/07/10	5,000	5,000	01/07/08, 01/07/09, 01/07/10
Seth Hoogasian, Senior V.P., General Counsel, Secretary. Common stock holdings: 30,549 shares								
02/25/05	Options	125,000	\$27.40	02/25/06	02/25/12	80,000	0	Fully Vested
02/27/06	Options	90,000	\$34.86	02/27/07	02/27/13	90,000	0	Fully Vested
11/09/06	Options	116,800	\$43.37	11/09/07	11/09/13	116,800	93,440	11/09/08, 11/09/09, 11/09/10, 11/09/11
11/09/06	R. Stock	10,100	N/A	11/09/07	11/09/09	6,734	6,734	11/09/08, 11/09/09
Alan Malus, Senior V.P., President-Customer Channels Group. Common stock holdings: 64,191 shares								
01/27/03	Options	20,004	\$14.20	01/27/04	01/27/13	20,004	0	Fully Vested
03/07/05	Options	37,400	\$30.68	03/07/06	03/07/15	37,400	0	Fully Vested
07/25/05	Options	36,400	\$32.30	07/25/06	07/25/15	36,400	7,280	12/31/07
12/19/05	Options	38,340	\$31.31	12/19/06	12/19/15	38,340	7,668	12/31/07
11/09/06	Options	151,400	\$43.37	11/09/07	11/09/13	151,400	121,120	11/09/08, 11/09/09, 11/09/10, 11/09/11



Appendix B

Option and Restricted Stock Vesting Schedules for Selected Thermo Fisher Scientific, 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
Joseph Massaro, Senior V.P.-Global Business Services. Common stock holdings: 15,000 shares								
11/09/03	Options	100,000	\$43.37	11/09/07	11/09/13	80,000	80,000	11/09/08, 11/09/09, 11/09/10, 11/09/11
07/25/05	Options	22,000	\$32.30	11/09/06	07/25/15	4,400	4,400	12/31/07
12/19/05	Options	7,980	\$31.31	11/09/06	12/19/15	1,596	1,596	12/31/07
Stephen Sheehan, Senior V.P.-Human Resources. Common stock holdings: 9,102 shares								
02/25/05	Options	28,000	\$27.40	02/25/06	02/25/12	28,000	0	Fully Vested
02/27/06	Options	40,000	\$34.86	02/27/07	02/27/13	40,000	0	Fully Vested
11/09/06	Options	57,600	\$43.37	11/09/07	11/09/13	57,600	46,080	11/09/08, 11/09/09, 11/09/10, 11/09/11
11/09/06	R. Stock	5,000	N/A	11/09/07	11/09/09	3,334	3,334	11/09/08, 11/09/09
Fredric Walder, Senior V.P.-Customer Excellence. Common stock holdings: 11,984 shares								
02/27/03	Options	130,000	\$34.86	02/27/04	02/27/13	130,000	0	
02/25/05	Options	70,000	\$27.40	02/25/06	02/25/12	70,000	0	
11/09/06	Options	50,500	\$43.37	11/09/07	11/09/13	50,500	40,400	11/09/08, 11/09/09, 11/09/10, 11/09/11
11/09/06	R. Stock	4,400	N/A	11/09/07	11/09/09	2,934	2,934	11/09/08, 11/09/09
Peter Wilver, Senior V.P., Chief Financial Officer. Common stock holdings: 15,783 shares								
11/21/02	Options	100,000	\$19.67	11/21/03	11/21/12	37,500	0	
02/27/03	Options	130,000	\$34.86	02/27/04	02/27/13	130,000	0	
02/25/05	Options	125,000	\$27.40	02/25/06	02/25/12	125,000	0	
11/09/06	Options	150,400	\$43.37	11/09/07	11/09/13	130,000	104,000	11/09/08, 11/09/09, 11/09/10, 11/09/11
11/09/06	R. Stock	12,900	N/A	11/09/07	11/09/09	8,600	8,600	11/09/08, 11/09/09



Appendix C

Option and Restricted Stock Vesting Schedules for Selected Waste Connections, 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
Darrell Chambliss, Executive V.P., Chief Operating Officer. Common stock holdings: 86,330 shares								
02/23/05	Options	90,000	\$22.01	02/23/06	02/23/15	30,000	30,000	02/23/08
02/14/06	Options	33,750	\$23.17	02/14/07	02/14/16	29,436	25,313	02/14/08, 02/14/09, 02/14/10
02/14/06	R. Stock	11,550	N/A	02/14/07	02/14/11	9,240	9,240	02/14/08, 02/14/09, 02/14/10, 02/14/11
02/01/07	R. Stock	16,650	N/A	02/01/08	02/01/12	16,650	16,650	02/01/08, 02/01/09, 02/01/10, 02/01/11, 02/01/12
Eugene Dupreau, V.P.-Western Region, Director. Common stock holdings: 92,278 shares								
02/23/05	Options	63,000	\$22.01	02/23/06	02/23/15	42,000	21,000	02/23/08
02/14/06	Options	18,000	\$23.17	02/14/07	02/14/16	13,500	13,500	02/14/08, 02/14/09, 02/14/10
02/14/06	R. Stock	10,500	N/A	02/14/07	02/14/11	8,400	8,400	02/14/08, 02/14/09, 02/14/10, 02/14/11
02/01/07	R. Stock	6,750	N/A	02/01/08	02/01/12	6,750	6,750	02/01/08, 02/01/09, 02/01/10, 02/01/11, 02/01/12
Robert Evans, Executive V.P., General Counsel, Secretary. Common stock holdings: 27,987 shares								
02/23/05	Options	90,000	\$22.01	02/23/06	02/23/15	90,000	30,000	02/23/08
02/14/06	Options	33,750	\$23.17	02/14/07	02/14/16	29,436	25,313	02/14/08, 02/14/09, 02/14/10
02/14/06	R. Stock	11,550	N/A	02/14/07	02/14/11	9,240	9,240	02/14/08, 02/14/09, 02/14/10, 02/14/11
02/01/07	R. Stock	16,650	N/A	02/01/08	02/01/12	16,650	16,650	02/01/08, 02/01/09, 02/01/10, 02/01/11, 02/01/12
David Hall, Senior V.P.-Sales and Marketing. Common stock holdings: 861 shares								
02/23/05	Options	56,250	\$22.01	02/23/06	02/23/15	18,750	18,750	02/23/08
02/14/06	Options	24,000	\$23.17	02/14/07	02/14/16	18,000	18,000	02/14/08, 02/14/09, 02/14/10
02/14/06	R. Stock	7,500	N/A	02/14/07	02/14/11	6,000	6,000	02/14/08, 02/14/09, 02/14/10, 02/14/11
02/01/07	R. Stock	7,500	N/A	02/01/08	02/01/12	7,500	7,500	02/01/08, 02/01/09, 02/01/10, 02/01/11, 02/01/12
Eric Hansen, V.P., Chief Information Officer. Common stock holdings: 576 shares								
02/23/05	Options	45,000	\$22.01	02/23/06	02/23/15	45,000	15,000	02/23/08
02/14/06	Options	19,125	\$23.17	02/14/07	02/14/16	19,125	15,300	02/14/08, 02/14/09, 02/14/10
02/14/06	R. Stock	5,025	N/A	02/14/07	02/14/11	4,020	4,020	02/14/08, 02/14/09, 02/14/10, 02/14/11
02/01/07	R. Stock	6,000	N/A	02/01/08	02/01/12	6,000	6,000	02/01/08, 02/01/09, 02/01/10, 02/01/11, 02/01/12



Appendix C

Option and Restricted Stock Vesting Schedules for Selected Waste Connections, 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
James Little, V.P.-Engineering. Common stock holdings: 21,628 shares								
02/23/05	Options	75,000	\$22.01	02/23/06	02/23/15	75,000	25,000	02/23/08
02/14/06	Options	31,500	\$23.17	02/14/07	02/14/16	31,500	23,625	02/14/08, 02/14/09, 02/14/10
02/14/06	R. Stock	8,175	N/A	02/14/07	02/14/11	6,540	6,540	02/14/08, 02/14/09, 02/14/10, 02/14/11
02/01/07	R. Stock	12,600	N/A	02/01/08	02/01/12	12,600	12,600	02/01/08, 02/01/09, 02/01/10, 02/01/11, 02/01/12
Ronald Mittelstaedt, Chief Executive Officer, Director. Common stock holdings: 199,490 shares								
02/03/04	Options		\$16.62	02/03/05	02/03/14	236,252	0	Fully Vested
02/23/05	Options	142,501	\$22.01	02/23/06	02/23/15	142,501	47,500	02/23/08
02/14/06	Options	60,000	\$23.17	02/14/07	02/14/16	60,000	45,000	02/14/08, 02/14/09, 02/14/10
02/14/06	R. Stock	25,500	N/A	02/14/07	02/14/11	20,400	20,400	02/14/08, 02/14/09, 02/14/10, 02/14/11
02/01/07	R. Stock	35,250	N/A	02/01/08	02/01/12	35,250	35,250	02/01/08, 02/01/09, 02/01/10, 02/01/11, 02/01/12