

CEO Adds On to Brookfield Homes Stake

By CATHERINE SHU

INVESTORS CONTINUE TO HAVE QUALMS about the shaky housing sector, but the chief executive officer of [Brookfield Homes](#) has just bought \$2.2 million in shares of the home builder on the open market.

Ian Cockwell bought 68,000 shares for about \$32.26 each on March 27. The buy is the latest in Cockwell's string of 15 open-market purchases of Brookfield stock since January 2003.

But while Cockwell has invested \$16.6 million into the shares, he is currently in the red on many of those purchases.

Shares of Brookfield have fallen nearly 40% year over year amid investor concern over weaker prices, softer demand and a buildup of inventory in the housing sector.

Brookfield designs and builds luxury single-family and multifamily homes. Brookfield focuses on planned communities throughout California, as well as the Washington D.C. area.

Cockwell has served as president and CEO of Brookfield since October 2002. Before that, Cockwell was the chairman and chief executive officer of former parent company Brookfield Properties, a real-estate investment trust.

Of Cockwell's latest open-market purchases of Brookfield shares, eight were between January and May 2006 when Cockwell spent \$6 million on 234,000 shares. During that period the stock traded from \$36 to \$46, above its current price of \$32.

Brookfield didn't return a phone call seeking comment for this article.

Ben Silverman, director of research at InsiderScore.com, calls Cockwell's most recent purchase "a bullish signal, but with a grain of salt." While the amount Cockwell spent is notable, the stock is currently below what he paid for most of his holdings purchased in early 2006.

Silverman notes that the 2006 purchases ran counter to bearish insider sentiment at other home builders at the time, including [Toll Brothers](#), where director Roger Hillas sold \$2.3 million in shares over the same period.

While sentiment within the home-building sector has improved recently, Silverman says that is because the selling has fallen off, not because there have been more purchases like Cockwell's at other companies.

"You have very strong insider sentiment [at Brookfield], which is what you want to see, but you have to question the timing of [Cockwell's 2006] buys" when there were plenty of signs that the housing sector was headed for a downturn, says Silverman.

On the other hand, Michael Painchaud, managing director of research at Market Profile Theorems, says that Cockwell's purchases are a good example of an insider identifying a low in share prices, even though he is down on his investment in the short term.

"It points out the tendency of insiders to be buyers at value. They are not looking for a turnaround tomorrow," says Painchaud. He adds that Cockwell did not purchase shares throughout most of 2005, when the stock was trading from about \$50 to \$55.

Cockwell's most recent purchase boosts Market Profile Theorem's rating on Brookfield's insider sentiment to 10, the most bullish score in the firm's 10-point rating system. Brookfield had been averaging from 6 to 8, and the construction/building services industry has a current score of 3.

In terms of insider sentiment, Brookfield is "an example of an attractive company within an unattractive industry," says Painchaud. His firm has an overall Underweight rating on construction/building services stocks -- including Brookfield.

Despite the fact that Brookfield is in a supposedly unappetizing sector with continuing anxiety over weak housing prices, Matrix USA managing director Ivan Feinseth has a Strong Buy rating on Brookfield.

"It's been tough recently in home-builder stocks, but you have to buy in troughs and sell at peaks," says Feinseth. Cockwell's purchase "is a serious commitment and a vote of confidence."

shares ahead of approval for the company to buy Phelps Dodge, a deal that would turn the combined entity into the world's largest publicly traded copper producer

Robert Day purchased 377,000 Freeport shares on the open market for about \$53 each on Jan. 22, and another 123,000 shares for about \$54.47 each on Jan. 23. Day, who is the founder of Trust Company of the West, or TCW, has been on Freeport's board of directors since 1995. This week's shopping spree is Day's first reported purchase of Freeport stock on the open market in the 12 years he has sat on the board. Day built the rest of his Freeport stake of 632,000 shares, or 3.2% of Freeport's 196.9 million outstanding shares, through stock-option exercises.

Ben Silverman, director of research at InsiderScore.com, says that Day's big buy is a "bullish bet on copper prices," which have fallen steadily since hitting a record high of \$4.16 a pound last May. Analysts are mixed on what direction the price of the metal is headed in.

Michael Painchaud, managing director of research at Market Profile Theorems, calls Day's purchase an "actionable buy signal." The size of the purchase has boosted Market Profile Theorem's score on insider sentiment at Freeport to an eight, very bullish, up from six, or a neutral rating, for the company. (A 10 is the most bullish signal, while a one is the most bearish).

As an example of prescient buying in the past by company insiders, Painchaud notes that Freeport's stock price soared from about \$36 at the beginning of May 2005, after director Robert J. Allison purchased \$360,600 worth of shares, to about \$68 in March 2006, when other insiders began selling off Freeport stock.

After Day's purchases, "we would expect the share price to rise from here, and not only that, but it should rise faster than the average stock," says Painchaud.

Day's purchases also come as Freeport awaits the completion of its deal to purchase fellow copper producer Phelps Dodge. A shareholder vote on the acquisition, which was announced in late November and has the support of Phelps Dodge's largest shareholder, Atticus Capital, is expected in March.

Atticus Capital, which owns about 10% of Phelps Dodge shares, also disclosed a 5.41% stake, or 10.7 million shares, in Freeport stock on Jan. 18. Atticus did not own Freeport shares at the end of the third quarter of 2006.

Under the terms of the deal, Freeport will acquire Phelps Dodge for \$25.9 billion in cash and stock. The deal values each Phelps Dodge share at \$88 in cash and 0.67 of a Freeport share.

The Freeport-Phelps Dodge combination faced some early opposition from Freeport shareholder SAC Capital, which doubled its stake in the company to 5.1% on Dec. 11 after signaling that it would vote against the deal. SAC Capital cut back its stake to 4.1% on Jan. 22, however, which Silverman says means it is unlikely that SAC Capital will continue to stand against the acquisition.

Barclays Capital also increased its stake in Freeport last week to 5.5%, or 10.9 million shares, from the 4.1%, or 7.8 million shares, it reported owning at the end of the third quarter. The buying by Barclay is also an "incremental positive" for the stock, says Silverman, noting that Barclay purchased the shares during the fourth quarter, when the deal with Phelps Dodge was announced.

While the combination of the purchases by Day, Atticus and Barclay sends out a bullish signal, Joshua Hong, director of research at OwnershipAnalyzer.com, warns investors not to read too much into Atticus' ownership stake.

Noting that Freeport warned about higher-than-expected production costs in 2007 on Jan. 17, Hong says that Atticus may decide to sell Freeport shares after the deal is completed. A sale by Atticus may put some pressure on the combined company's stock price, since Atticus holds 5.4% of Freeport's shares and a 10% stake of Phelps Dodge.

"There is no clear signal here," says Hong.