



## INSIDE TRACK

### TRACKING INSIDERS

Buying by Fleming Insiders  
Is Making a Bold Statement

Executives' Recent Moves Signal  
Intense Bullishness or Bad Timing  
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WASHINGTON -- Insiders at Fleming Cos. are showing confidence in the face of the uncertainty surrounding an informal investigation of the company's accounting.

After the company said two weeks ago that it was facing an informal inquiry by the Securities and Exchange Commission, six company executives and directors spent nearly \$1.2 million to buy 218,000 company shares, according to filings made with the SEC.

The buyers spent an average of \$5.29 a share in the recent cluster of purchases, which took place from Nov. 15 through Nov. 21. Shares of the Oklahoma City-based food distributor were at \$7.42 each, up 4.5%, in 4 p.m. trading Tuesday on the New York Stock Exchange.

"In a time when a company is under a cloud like this, it must be very comforting to current shareholders to see insiders back their stock so heavily," said Jonathan Moreland, director of research at Insiderinsights.com.

Fleming reported on Nov. 13 that the SEC was informally looking into the company's vendor trade practices, its presentation of earnings data and its calculation of same-store sales data in its retail operation. The company has said it intends to cooperate fully with the SEC.

The Wall Street Journal in September published a front-page article giving details of Fleming's relationship with its suppliers, which alleged that the company was unfairly withholding payments through invoice deductions.

Company officials have said the probe won't interfere with the company's plan to sell its retail assets, which include 110 grocery stores that Fleming values at \$450 million. Fleming already has announced that it reached an agreement to sell 28 of those stores for \$165 million.

Mr. Moreland said the decision by insiders to buy shares now suggests they believe the SEC won't come down too hard on the company. A company spokesman declined to comment on the insiders' motives. "If there was something so obviously wrong, I doubt the higher-ups would put their money at risk like that," Mr. Moreland said.

Michael Painchaud, research director at Market Profile Theorems, said Fleming insiders often have been buyers of the company's stock -- sometimes at higher prices. He said the long history of a bias toward insider buying at Fleming "points out the need to look at insider behavior in the historical context -- to determine what's normal and what is not."

Mr. Painchaud said the number of insiders buying is unusually high this month -- making this an abnormally strong bullish signal for a company that often sends a bullish insider-buying signal.

Kevin Schwenger, insider research analyst for Thomson Financial, also said he found the buying at Fleming unusually strong. "The six people doing this, that represents the largest consensus [among Fleming insider buyers] we've seen since early 1999," Mr. Schwenger said.

In addition, the largest purchase by an individual in the past two weeks -- 200,000 shares for more than \$1 million by Chairman and Chief Executive Mark S. Hansen -- is the largest single purchase ever by a Fleming insider, Mr. Schwenger said.

Fleming's shares started this year at \$18.50 each, down substantially from previous months because of worries about the impending bankruptcy filing of Kmart Corp., a major customer. Fleming shares recovered after Kmart's bankruptcy, trading above \$25 a share in May, but faltered in the summer and closed as low as \$3.30 each in October.

The fact that several insiders were buying company shares in August -- paying an average of more than \$11 a share, according to data from Thomson Financial -- is a mixed signal, Mr. Moreland said.

On one hand, it shows the insiders' level of confidence -- but on the other hand, it shows they aren't necessarily good market timers, Mr. Moreland said. The lack of substantial sales as the stock peaked also shows that insiders at Fleming aren't prophets, he said.

Another issue that weakens the signal from the buyers is the fact that the stock already has risen dramatically since the recent insider purchases. Fleming stock traded Tuesday afternoon more than \$2 a share higher than the average price the insiders paid in the past two weeks.

Mr. Moreland points to the August purchases as evidence Fleming's stock may still be cheap even as it recovers from recent lows. "Obviously, there's a huge amount of faith in this stock," he said.

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