

For Immediate Release

GRADIENT

“Exercise Backdating” Subject of New Report by Gradient Analytics

Executives May Have Minimized Personal Income & Payroll Taxes by Identifying Exercise Sweet Spots During Look-Back Period

Actions May Affect Companies’ Financial Statements & Corporate Tax & Payroll Liabilities

Scottsdale, AZ, December 6, 2006 – In an environment of increasing intolerance related to well-documented cases of executives who behave self-servingly, an additional opportunistic practice appears to have provided executives with tax benefits that also may, in some cases, have financial statement and tax ramifications for the company, officials with the independent research firm, Gradient Analytics, said today.

In a report released to the news media, Gradient provided an example of what it calls “exercise backdating” by the former CEO of Comverse Technology, Inc., (CMTV). Gradient’s on-going research for its clients (and parallel academic research by a team that includes Gradient Chairman and Chief Scientist Dr. Carr Bettis) suggests the practice may have been employed in several hundred firms, said Bettis.

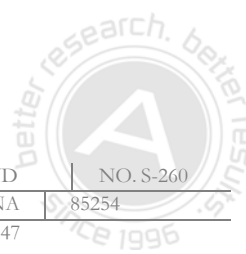
Gradient has released a longer report to clients that identified additional companies in which high-level executives may have practiced exercise backdating, with the intent of minimizing tax liability. Exercise backdating occurs when executives cherry pick a date within the time allowed by the Securities Exchange Commission (the “look-back” period) to report an exercise of options. Such stock options are generally taxed when they are purchased.

In the case of Comverse, former CEO Kobi Alexander likely avoided paying taxes on \$8.72 million by utilizing exercise backdating. Alexander reported an exercise of 675,000 (split-adjusted) options to the SEC on October 9, 1998; on that day, the stock sold for \$10, just \$.02 off the quarterly low from the previous day. The stock later climbed 129.2 percent by the time the SEC required Alexander to report the exercise option.



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Bettis said:

Ultimately the practice of exercise backdating misaligns the interests of shareholders and executives and exposes executives to potentially damaging claims. Further evidence of internal control failures and ineffective corporate governance programs is certainly not a shock, and these issues have clearly already received significant attention of the lawmakers and regulators.

However, live options grant backdating, exercise backdating points to possible violations of tax law which seems likely to be of interest to regulators and tax authorities.

Dr. Donn Vickery, Co-founder and Editor-in-Chief of Gradient Analytics, said Gradient's research indicates that even since the implementation of SoX requirements (August 2002), opportunistic look-backs may have been utilized by some executives. Prior to the passage of Sarbanes-Oxley, the "look-back" period was 40 days. Now it is two days.

Vickrey said:

While other research about exercise backdating continues, Gradient's analysis is the first we are aware of that examines specific companies to identify associated risks. Our continuing work is examining opportunistic exercises that were followed by sales, in both the pre-SoX and SoX-effective periods.

In a longer piece released to clients only, Gradient's 23-page forensic analysis discussed potential tax and financial statement implications and identified companies in which high-level executives may have taken advantage of reporting look-back periods to time the exercise of options. Similar to studies that identify stock option grants that may have been backdated, Gradient is unable to say definitively whether exercise backdating occurred, as not all of the information required to make a definitive determination is publicly available. However, having an exercise price that is the lowest share price during the look-back period would unambiguously advantage the executive, as the tax liabilities of the executive would be minimized. To the extent that the options exercised were issued pursuant to a Non-Qualified Stock Options Plan (or where Incentive Stock options failed to meet the IRC Section 422 statutory requirements) financial statement impacts are also possible, if not likely.

Most of the issuers Gradient identified as having an elevated risk of exercise backdating have previously been associated with the backdating of stock option grants. However, Gradient's research suggests that there are also numerous well-timed exercise events and accompanying look-backs in companies appear less likely to have engaged in the backdating of stock option grants.

Included in a report released to the news media is an analysis of Comverse Technology (CMTV) which was also provided to clients; Gradient believes some expectation of exercise backdating and its implications may already be impounded in the firm's share price (pursuant to its release on additional restatements, Nov. 14, 2006). From public filings, Symbol Technologies and Mercury Interactive may have already been the subject of exercise backdating inquiry and (in the case of Symbol), SEC action.

Gradient Analytics, known for its trend-setting analytical models, began conducting analysis on executive compensation practices, compensation-related governance and the exercise activity of executives at public companies in 1996. Through these efforts, Gradient has developed proprietary software that looks for patterns, based on formulas created through years of academic research. The software employs a minimum of 10 years of historical data updated weekly on the largest 5,000 U.S. companies. Armed with this data, analysts specializing in equity incentive analysis launched Equity Incentive Analytics (EIA) to subscribers in July of 2005 to look at how companies decide to give bonuses and stock incentives to executives and the potential benefits and conflicts of such actions.

Gradient's EIA service initially covered options backdating in reports to clients in July 2005 and developed an Options Backdating Risk-Assessment Tool for Clients in June 2006 (identifying up to 1,700 firms at risk). EIA continues to provide company-specific coverage of firms where options backdating appears to be elevated, intentionally focusing on high risk firms that have not reported scrutiny of their option practices. Over 85% of the firms Gradient has reported on have yet to be identified in the options backdating scandal. The firm also identified over 25 companies much less likely to have engaged in option grant backdating.

Bettis said:

Gradient is committed to the exploration of science for the purpose of identifying issues that we believe are likely to have an abnormal impact on share price and earnings performance on companies that our clients will care about. The exercise backdating project is one of many such projects. We have also made other significant discoveries as we have conducted our empirical examination of backdating in general and exercise practices of executives — discoveries that our clients will hear about in the weeks and months ahead.”

About Gradient Analytics

Founded in October 1996, Gradient Analytics, Inc. is an independent research publisher providing both analyst-written research work through its Earnings Quality Analytics and Equity Incentive Analytics services, and quantitative stock ratings for institutional clients through its Gradient Factor Suite. Gradient has developed models, expert systems and analytical tools for asset managers and investment advisors with many related products being distributed exclusively via strategic partners and alliances such as Thomson

Financial. Gradient is also the creator of the highly acclaimed MSN/CNBC Money's StockScouter rating system for individual investors.

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