

GRADIENT ANALYTICS IDENTIFIES 532 COMPANIES POTENTIALLY INVOLVED IN EXERCISE BACKDATING

Company Says Practice May Have More Impact on Shareholders Than Option Grant Backdating

FOR IMMEDIATE RELEASE

Scottsdale, AZ (January 8, 2007) Gradient Analytics, Inc. today made available to its clients a (stock option) Exercise Backdating Risk Assessment List involving 532 companies where it observed instances of fortuitously or opportunistically timed exercises that portend the possibility of “exercise backdating.” The list examines companies where executive exercises at “look-back lows” occurred more than once, or where one well-timed exercise involved less than 10,000 options/shares, the look-back involved a price appreciation of $\leq 20\%$.

Dr. Carr Bettis, Chief Scientist for the independent research firm, said:

A select set of executives at numerous U.S. companies appear at risk of losing their jobs and/or having underpaid taxes if exercise backdating is shown to have occurred at these firms. We believe that these companies also are at risk as a result of actions that the SEC has already called fraudulent. In many cases the practice creates wealth for executives while at the same time costing the company valuable deductions, to the detriment of other shareholders.

Gradient believes that the issue of exercise backdating is potentially much more important to shareholders than the option grant backdating issue that has been the subject of media and regulator attention since April 2006.

Exercise backdating occurs when a company executive (with a complicit corporate executive or stock plan administrator) waits until it is time to report their trades for a month to identify the lowest price of the month to exercise their stock options; thereby lowering their own taxes and potentially lowering the company’s tax deduction. This practice has been called fraudulent by the SEC. Gradient’s EIA reports are the first and only provided by any service to highlight the inherent risks related to this practice. It began publishing stock-specific reports on exercise backdating in November 2006.

Gradient Analytics Inc.

Gradient Analytics is the country’s leading independent equity research firm focused on forensic accounting and executive compensation. Its clients include mutual fund, hedge fund, and other professional money managers. Its principal products are two qualitative services (Earnings Quality Analytics and Equity Incentive Analytics) and several quantitative model offerings, all of which build on the firm’s financial engineering roots.

www.gradientanalytics.com

###

