

EXPOSING HIDDEN RISK IN TIME FOR ACTION

Successful investing depends on timely recognition and management of risk.

The Monitor from Glass, Lewis & Co. addresses those needs in two ways – by providing alerts in real-time about impending business troubles and by identifying governance, compensation, litigation and regulatory matters that threaten shareholder value.

Many sources of fundamental business risk – competitive threats, demographic shifts, supply chain complications, among others – are well understood and covered by the Street. The challenge for investors is detecting the earliest signs of these risks. Often, the earliest warning of business trouble at a public company comes in the form of subtle shifts in financial metrics – a slowdown in the cash conversion cycle, for example – or in changes in disclosure, accounting policies, personnel, auditors or insider trading patterns. The subtle changes are easily overlooked.

So too are other threats to shareholder value, such as executive compensation arrangements, related-party transactions and developments in critical litigation or regulation.

The Monitor is a customizable, web-based tool that alerts portfolio managers and analysts to the first signs of trouble at public companies of interest to them. The platform enables institutional professionals to research the issues and communicate with their colleagues about the warning signs The Monitor has identified.

The Monitor also provides a critical review of the earnings quality of more than 4,000 U.S. public companies through the application of industry-specific benchmarking and analytical tools.

MONITOR PERFORMANCE

THE COMPANIES ON WHICH EARNINGS QUALITY ALERTS WERE ISSUED IN 2003 AND 2004 UNDERPERFORMED THE NASDAQ COMPOSITE, RUSSELL 3000 AND WILSHIRE 5000 INDEXES ON A MARKET-CAP WEIGHTED BASIS OVER THE ONE, TWO, THREE AND SIX MONTHS SUBSEQUENT TO THE ALERTS BEING ISSUED.

Glass Lewis' research team has developed proprietary technology, screening tools and processes that identify and deliver the most important risk-related information to investors. The team's dozen accountants continuously refine Glass Lewis' earnings quality tools and its lawyers investigate and report on critical litigation. In addition, Glass Lewis analysts are available to assist clients interpret and analyze the information delivered by The Monitor.

OF THE WORST PERFORMING COMPANIES (THE BOTTOM 10%) IN ANY QUARTER (FROM JUNE 1, 2003 TO MARCH 31, 2005), 49% WERE THE SUBJECT OF AN ALERT DURING THE PRECEDING SIX MONTHS. ON AVERAGE, THOSE STOCKS LOST 26.6% OF THEIR VALUE DURING THE QUARTER.

With Glass Lewis' early risk detection system and its professional analysis and advice, investors can be sure to know the hidden risks of the companies in which they invest.

TYPES OF ALERTS ISSUED

The Monitor incorporates real-time information on more than 30 types of risks, including:

- Weak earnings quality
- Significant related-party transactions
- CFO changes
- Significant litigation developments
- Aggressive changes in accounting policies
- Auditor changes
- Unusual patterns of insider trading
- Restatements in, or late filings of, financial statements

ABOUT GLASS LEWIS

Glass, Lewis & Co. is a leading investment research and proxy advisory firm, serving institutions that collectively manage more than \$15 trillion. Glass Lewis helps institutional investors make more informed investment and proxy voting decisions by identifying business, legal, governance and financial statement risks at more than 14,000 companies worldwide.

It should not be assumed the securities on which alerts are issued in the future will have the performance equal to that of the securities highlighted here.