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Independent Academic Study Validates Value of CFRA Research

Academic Paper discusses economic benefits of detecting early signs of financial shenanigans

New York, NY (June 28, 2011) - The value of research by the Center for Financial Research and Analysis (CFRA), a leader in forensic accounting research, was highlighted in a recent study, "A Penny Saved is a Penny Earned: Avoiding Investment Losses through the Early Detection of Financial Shenanigans," by Professors Scott Below and James Nelson of East Carolina University.

The study, which will appear in the *Journal of Applied Finance* later this year, examines CFRA's work in identifying companies that may be engaged in financial shenanigans. CFRA utilizes an exception-based forensic accounting methodology and publicly available financial information to uncover companies believed to have significantly poor quality of reported financial results, operational metrics and/or corporate governance issues not fully appreciated by the financial markets. CFRA's proprietary "Biggest Concerns List" is comprised of those companies for which CFRA analysts have the highest level of conviction around these issues.

The study pinpoints significant opportunities, both short- and long-term, for investors who avoid or who short companies on the flagship Biggest Concerns List. Among the findings of the study:

- "[The] Biggest Concerns firms underperform firms matched on both size and industry by an annualized rate of 8.28%."

In the study, Professors Below and Nelson analyze companies appearing on CFRA's Biggest Concerns list between 2005 and 2008 to determine whether early detection of potential financial shenanigans can help investors avoid losses. The study demonstrates both the short and long-term risk-adjusted underperformance of these companies utilizing various Russell indices as well as the performance of comparable firms as benchmarks.

Furthermore, the study compares various financial ratios as well as the governance structures of the Biggest Concerns names as compared to their matched comparable firms and finds no significant difference, thus reinforcing the value of the more detailed in-depth forensic analysis performed by CFRA in its detection of apparent financial shenanigans.

"We are pleased to have independent academic validation of how forensic accounting research can add value for investors," said Dan Mahoney, CFRA's head of research. "Our own research has shown that companies on CFRA's Biggest Concerns list have significantly underperformed the broader market since 2005." CFRA recently published a report entitled "Biggest Concerns: Review of 2010 Performance and Themes" that details the underperformance of the companies on the Biggest Concerns list in comparison to the equal-weighted ValueLine Composite Arithmetic Index. The report illustrates that the North American Biggest Concerns list meaningfully underperformed the benchmark for the five years ending December 2010, as it declined 23.6% as compared to an increase of 49.5% in the ValueLine Index. Furthermore, 2010 was a standout year for CFRA research as the companies on the North American Biggest Concerns list underperformed the same benchmark index by over 1,800 basis points.

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About CFRA

Founded as the Center for Financial Research & Analysis in 1994, CFRA is a global independent research business that provides high-value financial research and solutions to institutional investors, underwriters, and other financial institutions. CFRA is the recognized leader in Forensic Accounting Research and develops unique exception-based research products that help clients sift through the noise and assess the quality of inputs into their models and processes. For more information, visit www.cfra.com. CFRA research is delivered by Institutional Shareholder Services Inc. ("ISS"). ISS is an indirect wholly-owned subsidiary of MSCI Inc. ("MSCI").

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