

WORST OF THE WORST

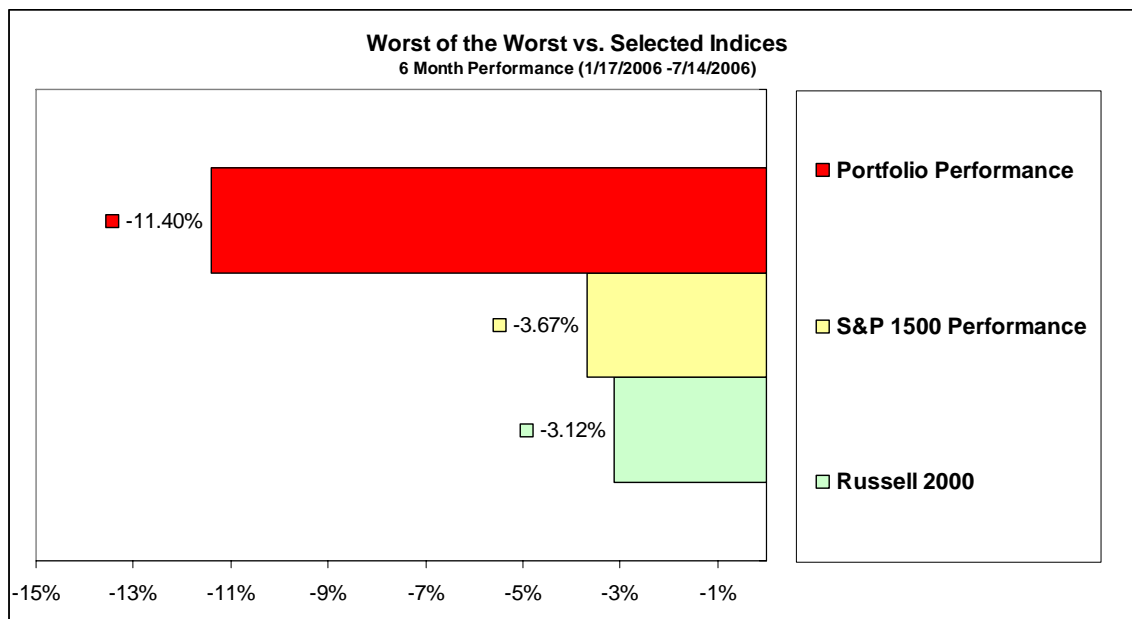
SEPTEMBER 7, 2006

*By James A. Kaplan, Chairman
Audit Integrity, Inc.*

While we have made it clear to our users that all of our predictive models (Equity, Litigation, and Restatement) are driven by different variables other than AGR[®] alone, for entertainment's sake I took a look at the price performance of the "worst of the worst." This list (see Table I attached) comprises 123 companies that received the lowest ranking of "1" on all three models.

The time period selected to measure performance, January 17, 2006 to July 14, 2006, was not chosen at random. The period selected was based on the first release date of Audit Integrity analysis of new data, 1/17/2006, and encompassed a 6 month period. Our historical studies show that stock prices adjust to our forensic findings within one to six months.

Yet again, the return differences between our worst-of-the-worst portfolio and comparable indices were dramatic. The worst-of-the-worst portfolio declined 11.04% on a capitalization weighted basis, compared to a 3.67% decline for the S&P 1500 and a 3.12% decline for the Russell 2000.



*** The worst-of-the-worst portfolio declined 11.04% on a capitalization weighted basis, compared to a 3.67% decline for the S&P 1500 and a 3.12% decline for the Russell 2000.**

This negative return spread of a minimum of 737 basis points is somewhat higher than expected using the Equity model alone. However it doesn't surprise me that the results bettered expectations, since litigation risk and restatement risk merely pile on in terms of shareholder concerns. Shareholders are voting with their feet as they, on balance, exit these riskier holdings, thereby driving down market values.

We believe that when investors uncover information, whether positive or negative, they do react rationally by adjusting firm values. Our job is to continue to uncover information using forensic techniques that reveal as-yet unknown information. To that end we have prepared a worst-of-the-worst list using our most recent release date of August 14, 2006 (see Table II attached).

We strongly suggest you utilize this information as part of the valuation process. We look forward to measuring the results for companies on our current list, after another six months.

TABLE I
Market Weighted Returns, "Worst of the Worst"
Six months ending July 14, 2006

<u>Company Name</u>	<u>Market Cap</u>	<u>Ticker</u>	<u>Price at 1/17/2006</u>	<u>Price at 7/14/2006</u>	<u>Gain/(Loss)</u>
Abercrombie & Fitch Co.	4875.135	ANF	62.94	53.3	-15%
Abraxis BioScience, Inc.	3831.172	ABBI	37.8	21.45	-43%
Activision, Inc.	3588.137	ATVI	14.521	11.29	-22%
AFC Enterprises, Inc.	380.274	AFCE	15.53	13	-16%
Alliance One International, Inc.	333.750	AOI	4.04	3.78	-6%
Alpharma Inc.	1270.881	ALO	30.75	21.56	-30%
American Real Estate Partners, L.P.	2814.486	ACP	38.23	42	10%
American Science & Engineering, Inc.	450.334	ASEI	61.641	50.98	-17%
American Tower Corporation	13955.410	AMT	28.5	30.38	7%
America's Car-Mart, Inc.	184.214	CRMT	17.62	16.33	-7%
Amgen, Inc.	80484.300	AMGN	78.22	64.35	-18%
Ampex Corporation	54.248	AMPX	20.3	10.48	-48%
ArthroCare Corporation	1161.591	ARTC	42.6	39.11	-8%
Ashford Hospitality Trust, Inc.	878.672	AHT	10.83	12.25	13%
Axesstel, Inc.	38.296	AFT	1.12	1.5101	35%
Bentley Pharmaceuticals, Inc.	236.096	BNT	19.58	9.3	-53%
Biogen Idec Inc	14576.320	BIIB	46.39	43.24	-7%
Bookham, Inc.	144.368	BKHM	6.18	2.83	-54%
Build-A-Bear Workshop, Inc	444.086	BBW	28.5	19.79	-31%
CA, Inc.	12420.350	CA	29.06	19.21	-34%
Calpine Corporation	244.652	CPNLO	0.248	0.415	67%
Cendant Corporation	2294.172	CD	2.249	2.0454	-9%
China Energy Savings Technology, Inc.	8.898	CESV	6.95	0.25	-96%
Citrix Systems, Inc.	5808.195	CTXS	30.41	34.7	14%
CKX Inc.	1088.878	CKXE	11.58	11.98	3%
Cogent, Inc.	1036.136	COGT	23.38	14.3	-39%
Connetics Corporation	362.657	CNCT	14.51	7.89	-46%
Conor Medsystems, Inc.	881.226	CONR	21.71	24.38	12%
Constellation Brands, Inc.	5615.082	STZ	26.16	24.54	-6%
Copart, Inc.	2443.836	CPRT	24.46	25.53	4%
Covanta Holding Corporation	2799.490	CVA	16.27	16.21	0%
Crown Castle International Corp.	7313.050	CCI	28.54	33.49	17%
Cytoc Corporation	2742.902	CYTC	28.37	24.01	-15%
DENTSPLY International Inc.	4874.762	XRAY	28.02	29.18	4%
Diebold Incorporated	2782.532	DBD	38.4	37.97	-1%
Electro Energy, Inc.	48.115	EEEI	4.26	2.35	-45%
Ener1, Inc.	160.912	ENEI	0.26	0.35	35%
Equity One, Inc.	1740.645	EQY	23.83	21.18	-11%
Essex Corporation	309.420	KEYW	18.06	15.98	-12%
Feldman Mall Properties, Inc.	142.642	FMP	11.52	10.75	-7%
First Avenue Networks	511.559	FRNS	5.77	7.33	27%
FTD Group, Inc.	405.677	FTD	10.2	14	37%
General Electric Company	338606.200	GE	34.94	32.11	-8%
Gilat Satellite Networks Ltd.	184.256	GILT	6.38	7.25	14%
Global Realty Development Corp.	67.974	GRLY	1.07	0.8	-25%

Global Signal Inc.	3230.371	GSL	45.55	46.05	1%
GMH Communities Trust	504.982	GCT	15.71	12.8	-19%
Herbalife Ltd.	2157.867	HLF	32.7	35.15	7%
Hillenbrand Industries	3038.266	HB	50.83	48.7	-4%
IAC/InterActiveCorp	8107.539	IACI	29	24.38	-16%
Illumina, Inc.	1543.161	ILMN	19.28	28.76	49%
ImClone Systems Incorporated	2830.482	IMCL	34.8	38.44	10%
International DisplayWorks, Inc.	220.737	IDWK	5.05	4.8	-5%
inVentiv Health Inc.	818.456	VTIV	25.06	27.98	12%
IPIX Corporation	13.823	IPIXQ	1.94	0.8511	-56%
ISCO International, Inc.	60.822	ISO	0.37	0.32	-14%
j2 Global Communications, Inc.	1243.106	JCOM	23.63	27.91	18%
JDS Uniphase Corporation	3639.316	JDSU	2.86	2.1	-27%
JER Investors Trust Inc.	419.213	JRT	17	15.03	-12%
Jupitermedia Corporation	352.558	JUPM	16.55	12.25	-26%
Keryx Biopharmaceuticals	473.803	KERX	16.42	11.95	-27%
KOS Pharmaceuticals, Inc.	1963.665	KOSP	46.43	38.44	-17%
L-3 Communications Holdings, Inc.	8720.398	LLL	74.95	74.25	-1%
Laureate Education, Inc.	2340.305	LAUR	53	41.48	-22%
Marchex, Inc.	562.314	MCHX	24.55	13.93	-43%
Martek Biosciences Corp.	907.866	MATK	27.48	27.19	-1%
MCI Inc	6776.407	MCI	30.95	31.99	3%
Medical Properties Trust, Inc.	490.675	MPW	9.74	11.53	18%
MEMC Electronic Materials, Inc.	6562.598	WFR	25.09	32.42	29%
MIVA, Inc.	90.910	MIVA	5.53	2.8	-49%
Molson Coors Brewing Company	5732.155	TAP	66.61	68.4	3%
Motient Corporation	816.552	MNCP	20.75	14.95	-28%
Nanometrics Incorporated	121.955	NANO	12.38	9.21	-26%
Navarre Corporation	127.627	NAVR	5.51	4.45	-19%
NeoMedia Technologies, Inc.	112.275	NEOM	0.36342	0.2	-45%
NetRatings, Inc.	467.400	NTRT	12.69	12.46	-2%
Omnicare, Inc.	5641.649	OCR	58.04	46.9	-19%
Open Solutions Inc.	580.909	OPEN	24.31	26.5	9%
Overstock.com, Inc.	346.122	OSTK	26.05	19.92	-24%
Performance Food Group	919.200	PFGC	26.65	28.12	6%
PortalPlayer, Inc.	295.068	PLAY	30.77	9.03	-71%
QuadraMed Corporation	77.307	QD	1.48	1.99	34%
Reckson Associates Realty	3596.533	RA	38.22	40.95	7%
Red Hat, Inc.	4343.159	RHAT	29.2701	23.36	-20%
S1 Corporation	298.858	SONE	4.27	4.49	5%
SafeNet, Inc.	447.422	SFNT	32.52	15.25	-53%
salesforce.com, inc.	2917.058	CRM	38.99	22.02	-44%
SanDisk Corporation	9305.571	SNDK	71.5401	39.18	-45%
Schawk, Inc.	457.790	SGK	21.97	16.72	-24%
Scientific Games Corp.	2670.483	SGMS	30.93	33.92	10%
Sempra Energy	12391.970	SRE	47.6	44.91	-6%
Service Corporation International	2215.192	SCI	8.2	8.06	-2%
SFBC International, Inc.	327.732	PDGI	17.81	14.46	-19%
Shuffle Master, Inc.	1021.666	SHFL	24.74	30.18	22%
Sigmatel, Inc.	156.450	SGTL	13.4	4.19	-69%
SiRF Technology Holdings Inc.	1035.528	SIRF	30.74	25.15	-18%
Source Interlink Companies	604.312	SORC	11.27	11.07	-2%

Southwest Water Company	293.543	SWWC	15.1	11.57	-23%
SpectraSite Inc.	3826.697	SSI	29.62	30.09	2%
Sprint Nextel Corporation	52252.080	S	21.2711	19.15	-10%
Stratasys, Inc.	245.070	SSYS	25.29	28.41	12%
Sunrise Senior Living, Inc.	1399.740	SRZ	34.52	26.85	-22%
Symantec Corporation	17000.880	SYMC	19.36	15.17	-22%
Symbol Technologies, Inc.	2658.702	SBL	12.36	9.85	-20%
Synaptics, Incorporated	552.175	SYNA	30.71	18.82	-39%
Tarragon Corporation	364.213	TARR	20.49	12.53	-39%
TASER International, Inc.	443.040	TASR	8.2999	7.61	-8%
Tessera Technologies, Inc.	1527.735	TSRA	30.09	28.65	-5%
The Mills Corporation	1318.855	MLS	40	25.67	-36%
The Wet Seal, Inc.	367.804	WTSLA	4.35	4.52	4%
Think Partnership Inc.	96.254	THK	2.21	2.16	-2%
Tractor Supply Company	1853.466	TSCO	51.12	48.06	-6%
Trustreet Properties, Inc.	914.317	TSY	14.57	12.95	-11%
Varian Medical Systems, Inc.	6506.321	VAR	53.1	43.55	-18%
VendingData Corporation	53.273	VNX	3.5	2.01	-43%
Viisage Technology, Inc.	443.962	VISG	18.95	15.54	-18%
VRB Power Systems Inc.	60.685	VRB	0.77	0.67	-13%
W. P. Carey & Co. LLC	968.562	WPC	26.65	25.1	-6%
Whole Foods Market, Inc.	7232.703	WFMI	72.75	58.39	-20%
Wilshire Enterprises, Inc.	33.867	WOC	7.75	4.39	-43%
Windstream Corp.	927.104	WIN	11.8	11.53	-2%
Winthrop Realty Trust	249.723	FUR	5.496	5.91	8%
World Waste Technologies, Inc.	74.787	WDWT	2.6	3.55	37%
					-11.40%

TABLE II
Worst of the worst
As of 8/14/2006

<u>Company Name</u>	<u>Market Cap</u>	<u>Ticker</u>	<u>Company Name</u>	<u>Market Cap</u>	<u>Ticker</u>
Acacia Research- Acacia Technologies	306.901	ACTG	Keryx Biopharmaceuticals	473.803	KERX
Allergan, Inc.	16658.200	AGN	KKR Financial Corp	1888.790	KFN
Alliance Data Systems	4204.391	ADS	Liberty Global Inc.	10263.510	LBTYA
Alliance One International, Inc.	333.750	AOI	Lipman Electronic Engineering Ltd.	664.631	LPMA
American Ecology Corporation	402.087	ECOL	Medical Properties Trust, Inc.	490.675	MPW
American Science & Engineering, Inc.	450.334	ASEI	MedImmune, Inc.	6313.802	MEDI
ANSYS, Inc.	1911.775	ANSS	Microsoft Corporation	244406.000	MSFT
Bankrate, Inc.	511.085	RATE	Mitsui & Co., Ltd. (ADR)	226.754	MITSY
BellSouth Corporation	73176.480	BLS	Mobile Mini, Inc.	1108.979	MINI
Blackbaud, Inc.	881.573	BLKB	Motient Corporation	816.552	MNCP
Bowne & Co., Inc.	446.344	BNE	Nanometrics Incorporated	121.955	NANO
Brandywine Realty Trust	2971.837	BDN	NeoMedia Technologies, Inc.	112.275	NEOM
Brookfield Properties Corporation	8910.628	BPO	New Century Financial Corporation (REIT)	2650.662	NEW
CBS Corporation	19930.220	CBS	NewMarket Technology, Inc.	49.811	NMKT
Central European Distribution	802.163	CEDC	News Corporation	60084.410	NWS
Central European Media Enterprises Ltd.	2346.248	CETV	Novatel Wireless, Inc.	342.463	NVTL
ChipMOS Technologies Ltd.	11.769	IMOS	Nuance Communications Inc.	1531.308	NUAN
Chunghwa Telecom Co., Ltd. (ADR)	547.952	CHT	Open Solutions Inc.	580.909	OPEN
Click Commerce, Inc.	178.554	CKCM	Perficient, Inc.	321.464	PRFT
Cogent, Inc.	1036.136	COGT	Reckson Associates Realty	3596.533	RA
Composite Technology Corporation	197.107	CPTC	Rudolph Technologies, Inc.	395.877	RTEC
Crown Castle International Corp.	7313.050	CCI	SAP AG (ADR)	71675.694	SAP
Deerfield Triarc Capital Group	685.008	DFR	Sempra Energy	12391.970	SRE
Duke Energy Corporation	37718.210	DUK	SFBC International, Inc.	327.732	PDGI
eBay Inc.	34252.540	EBAY	Shuffle Master, Inc.	1021.666	SHFL
El Paso Corporation	10276.540	EP	Sizeler Property Investors, Inc.	332.404	SIZ
Ener1, Inc.	160.912	ENEI	Sonic Solutions	363.246	SNIC
Equity One, Inc.	1740.645	EQY	Spirit Finance Corporation	916.703	SFC
Expedia, Inc.	4678.238	EXPE	Sprint Nextel Corporation	52252.080	S
First Advantage Corporation	1154.747	FADV	Sun-Times Media Group, Inc.	720.296	SVN
First Avenue Networks	511.559	FRNS	Symantec Corporation	17000.880	SYMC
Fortune Brands, Inc.	10664.780	FO	Talk America Holdings Inc	181.328	TALK
Gilead Sciences, Inc.	28018.070	GILD	Telkonet, Inc.	107.324	TKO
Global Realty Development Corp.	67.974	GRLY	Tessera Technologies, Inc.	1527.735	TSRA
Google Inc.	113308.500	GOOG	Teva Pharmaceutical Industries Ltd (ADR)	25832.000	TEVA
Homburg Invest Inc.	425.430	HII/B	The Bon-Ton Stores, Inc.	432.042	BONT
Hospira, Inc.	6828.022	HSP	The Coca-Cola Company	102716.300	KO
IAC/InterActiveCorp	8107.539	IACI	The Geo Group, Inc.	519.359	GEO
InterContinental Hotels Group PLC (ADR)	11807.887	IHG	Think Partnership Inc.	96.254	THK
Itron, Inc.	1242.968	ITRI	Trustreet Properties, Inc.	914.317	TSY
IXYS Corporation	305.697	SYXI	WebSideStory, Inc.	208.005	WSSI
j2 Global Communications, Inc.	1243.106	JCOM	Winthrop Realty Trust	249.723	FUR
KCP Income Fund	503.279	KCP.UN			

Audit Integrity provides unique insight into managing risk. For more information please contact us at:

Client Services

310.444.8820 Phone

310.479.8747 Fax

support@auditintegrity.com

All Others

877.880.8820

info@auditintegrity.com

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

This report is for information purposes and should not be considered a solicitation to buy or sell any security. Neither Audit Integrity nor any other party guarantees its accuracy or makes warranties regarding results from its usage. Redistribution is prohibited without written permission. Copyright © 2006

Audit Integrity, Inc. and its affiliates, Directors and Officers of the company may own stock or options to purchase or sell stock in the companies mentioned on our website and in our publications and may elect to increase or decrease the size of these positions at any time. However, we are not compensated in any way for publishing information about subject companies.