



## P R E S S   R E L E A S E

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### **FINANCIAL CONDITION OF TARP BAILOUT COMPANIES LIKELY WORSE THAN PUBLICLY DISCLOSED, ANALYSIS FINDS**

*More Than Eighty Percent Employ Aggressive Accounting  
and Likely Will Experience Restatements and Other Adverse Events*

**LOS ANGELES, CA, December 24, 2008** – The vast majority of financial services companies being bailed out under the Federal Troubled Assets Relief Program (TARP) are likely in worse condition than publicly disclosed, according to an analysis announced today by Audit Integrity, an independent research firm that measures corporate integrity risk.

More than 80 percent of TARP financial services companies have a “Very Aggressive” or “Aggressive” Accounting and Governance Risk (AGR) rating based on their most recent regulatory filings. As a result, these companies have a high statistical likelihood they will restate their earnings and suffer from other adverse events, including regulatory actions, shareholder litigation and bankruptcy. By comparison, two-thirds of the more than 7,000 publicly-traded North American companies rated by Audit Integrity have “Average” or “Conservative” ratings.

The AGR rating is a forensic indicator of the transparency and reliability of a corporation's financial reporting, and identifies metrics most highly associated with financial statement fraud, as measured by SEC enforcement actions.

“As a group, these are very risky companies. The use of federal money to bail them out should be pause for concern on several levels,” said Jack Zwingli, CEO of Audit Integrity.

“Unfortunately, the odds are that a number of these companies will fail at some level in the future, which raises the concern that the Federal Government is throwing good money after bad. At a minimum, before we hand over government funds to these firms, we should demand a thorough review of their accounting and corporate governance practices. The recipients of the bailout money should be required to run their business with integrity.”

The Audit Integrity analysis focused on the 25 financial services companies that have received more than 90 percent of TARP funds to date. Of the 14 financial services companies that received “Very Aggressive” ratings, ten were among the recipients of the largest amounts of TARP money, including:

- American International Group, Inc.
- Bank of America Corporation
- Citigroup, Inc.
- Fifth Third Bancorp
- Goldman Sachs Group, Inc.
- J.P. Morgan Chase & Co.
- Merrill Lynch & Co. Inc
- Morgan Stanley
- PNC Financial Services Group, Inc.
- Wells Fargo & Company

General Motors Corporation and Ford Motor Company, which have been mentioned for possible TARP bailouts, also have low Audit Integrity ratings.

Audit Integrity’s analysis is available on [auditintegrity.com](http://auditintegrity.com) or by calling 877-44-AUDIT.

**About Audit Integrity**

Founded in 2002, serving investors, insurers, auditors and corporate finance professionals, Audit Integrity is a leading independent research firm that rates more than 7,000 public companies based on their corporate integrity. In addition to its flagship Accounting and Governance Risk (AGR) ratings, Audit Integrity also forecasts class action litigation risk, material financial restatement risk, and equity performance risk. The statistical correlation of these ratings has been confirmed by internal and third-party tests. Audit Integrity has offices in Los Angeles and New York City. For more information, please visit [www.auditintegrity.com](http://www.auditintegrity.com)

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