

# AUDIT INTEGRITY TOP 100

2008  
EXCLUSIVE  
REPORT

## RECOGNIZING EXCELLENCE IN CORPORATE INTEGRITY IN DIFFICULT TIMES, INTEGRITY MATTERS MORE THAN EVER.

2007 was the year of the subprime meltdown. It was a year in which financial institutions failed as risk managers, and ratings agencies took a major share of the blame; where the effect of bad mortgages snowballed, reducing credit availability, fueling interest rate volatility, currency fluctuations, and spurring a global wave of investment losses.

Ultimately, 2007 was the onset of a painful economic adjustment that was triggered, in great part, by corporate impropriety. As a textbook case of why investors and other stakeholders need to be able to identify strong, reliable companies they can trust - companies with high integrity - it is hard to find a better example.

The business of Audit Integrity is to provide its subscribers with this crucial guidance, by monitoring publicly traded companies for indications of a certain type of risk that is directly linked to unethical or overly risky corporate behavior. We call it corporate integrity risk.

The release of the annual Audit Integrity Top 100 spotlights companies that, in our analysis, showed high corporate integrity in 2007. This report is our annual salute to them as the nation's 100 most trustworthy publicly traded firms.

Response to the Top 100 list has been intense, attracting inquiries from investors and financial analysts, as

well as stimulating celebratory announcements by many of the companies named last year. Such a positive reaction is clear evidence of widespread market hunger for better ways of identifying companies that can be trusted.

Corporate integrity risk ratings are developed through an objective, statistical analysis that produces the Accounting and Governance Risk (AGR) score. This methodology is unique, incorporating two types of information that together provide a comprehensive view of management behavior and motivation:

- Accounting factors historically linked to fraud, and
- Governance factors that increase the risk of investment loss, shareholder litigation and other negative events.

To be included in the Top 100, a firm must have consistently high AGR ratings, evidencing accounting transparency and the type of conservative management that prepares for difficult times. We do not see these firms playing accounting games with revenue and expense recognition or asset valuation. Nor do we see revolving-door management changes or insider trading, among other high-risk governance issues.

Companies with high corporate integrity have generally outperformed the market, and showed markedly less volatility in their stock prices.



In contrast, companies with low AGR ratings have been proven to carry a much higher risk profile – ten times more likely to face SEC enforcement actions, six times more likely to

delay financial reporting, five times more likely to face shareholder litigation and four times more likely to go bankrupt.

There is a common fallacy that new financial filing requirements associated with Sarbanes Oxley have alleviated the risks associated with fraud and opaque financial reporting. In fact, Sarbanes Oxley may have defined certain standards of transparency, but integrity cannot be regulated.

2007 displayed many examples of this, as firms continued to push the envelope in taking risks, by finding new ways to mask their financial condition and commit outright fraud. To detect and avoid these companies, it is vital for stakeholders to stay vigilant. Based on our growing lists of subscribers throughout the investment world, we are pleased to say that corporate integrity ratings are now recognized as a crucial factor in investment analysis.

**“Companies with high corporate integrity have generally outperformed the market, and showed markedly less volatility in their stock prices.”**

In time of high market volatility, this is especially true. As easy credit, capital and revenues dry up, companies that are built on a weak foundation or questionable management behaviors are most vulnerable to stock price blow-ups, subsequent shareholder litigation, and forced transparency via “reality catch-up” restatements. When a “flight to quality” becomes an investor imperative, troubled firms see their stock prices tumble, and the spread in returns between high-risk and low-risk companies becomes wider.

The Audit Integrity Top 100 is thus reserved for those firms demonstrating a sound financial footing and exemplary conservative governance. We salute the 2008 list for displaying

### COMPANIES RETURNING FROM LAST YEAR'S TOP 100

ATMI, Inc. (ATMI)  
Allied Waste Industries (AW)  
Saul Centers, Inc. (BFS)  
Bemis Company, Inc. (BMS)  
Buffalo Wild Wings (BWLD)  
CDI Corp. (CDI)  
CONN'S Inc. (CONN)  
Curtis-Wright Corp. (CW)  
Entercom Communications Corp. (ETM)  
Entergy Corporation (ETR)  
FNB Corporation (FNB)  
Fred's, Inc. (FRED)  
Granite Construction Inc. (GVA)  
H.J. Heinz Company (HNZ)  
Hearst-Argyle Television, Inc. (HTV)  
Independent Bank Corp. (INDB)  
Mercury General Corporation (MCY)  
The Midland Company (MLAN)  
NetScout Systems, Inc. (NTCT)  
PC Connection, Inc. (PCCC)  
Perry Ellis International, Inc. (PERY)  
Playboy Enterprises (PLA)  
Sandy Spring Bancorp Inc. (SASR)  
Sherwin-Williams Company (SHW)  
Spherion Corporation (SFN)  
Spartan Motors, Inc. (SPAR)  
Tredegar Corporation (TG)  
Transatlantic Holdings, Inc. (TRH)  
Universal Electronics Inc. (UEIC)  
United Fire & Casualty (UFCS)  
United Natural Foods, Inc. (UNFI)  
Village Super Market, Inc. (VLGEA)  
ZOLL Medical Corporation (ZOLL)

this badge of integrity, and for providing clear evidence that integrity pays. As a group, these companies outperformed the market even in the midst of last year's financial maelstrom.

We are also pleased to see the return of 33 firms that were cited in last year's list.

## METHODOLOGY

### Creating the Audit Integrity Top 100

The Audit Integrity Top 100 was selected from the more than 8,000 public corporations we track with quarterly ratings and reports. Audit Integrity ratings and research incorporate both financial and non-financial measures. The methodology of our Accounting and Governance Risk (AGR) ratings was developed through the study of cases of proven fraud and misrepresentation. The data we use is obtained from multiple sources of publicly available information. For more information, refer to: [www.auditintegrity.com/methodology](http://www.auditintegrity.com/methodology).



For our subscribers, the AGR score has proven to be a statistically reliable predictor of negative events such as securities-related litigation and financial restatements. In addition, numerous studies have found the AGR score to be a highly effective indicator of investment returns, providing subscribers with a tool for risk management, portfolio construction and identification of long and short investment opportunities.

## SELECTION CRITERIA

In order to narrow the field to 100 firms, the following criteria were used in the selection of the Top 100:

- U.S. companies only
- Market capitalization of \$200 million or more (as of January 1, 2008)
- AGR rating of Conservative or Average each of the last 4 quarters (for calendar 2007 financial reporting)
- Audit Integrity Financial Condition rating of Strong or Average
- AGR Equity Factor of 4 or 5 (our highest rankings), indicating a positive forecast for equity returns
- No SEC or shareholder class action litigation over the latest four quarters
- No amended filings or material restatements over the last year
- No substantial insider trading in comparison to peers
- No flagged executive compensation metrics within the AGR analysis

## AUDIT INTEGRITY TOP 100<sup>\*</sup> 2008

### Large Cap (\$5 Billion and Above)

\* Companies listed alphabetically within each market cap group.

Company Name	Ticker	Industry Sector	Most Recent Quarter AGR
AGCO Corporation	AG	Constr. & Agric. Machinery	83
Arch Coal, Inc.	ACI	Coal	79
Carolina Group	CG	Tobacco	79
Colgate-Palmolive Company	CL	Personal & Household Prods.	82
Consolidated Edison, Inc.	ED	Electric Utilities	85
Diamond Offshore Drilling, Inc.	DO	Oil Well Services & Equipment	82
Discovery Holding Company	DISCA	Broadcasting & Cable TV	80
Entergy Corporation	ETR	Electric Utilities	81
Fluor Corporation	FLR	Construction Services	83
H.J. Heinz Company	HNZ	Food Processing	85
Loews Corporation	LTR	Insurance (Prop. & Casualty)	85
Sara Lee Corp.	SLE	Food Processing	80
Sherwin-Williams Company	SHW	Retail (Home Improvement)	74
Sunoco, Inc.	SUN	Oil & Gas Operations	84
The Goodyear Tire & Rubber Company	GT	Tires	86

### Mid Cap (\$1 Billion - \$5 Billion)

Company Name	Ticker	Industry Sector	Most Recent Quarter AGR
Allied Waste Industries, Inc.	AW	Waste Management Services	77
American National Insurance Company	ANAT	Insurance (Life)	84
Belo Corp.	BLC	Printing & Publishing	86
Bemis Company, Inc.	BMS	Containers & Packaging	85
Cepheid	CPHD	Scientific & Technical Instr.	79
Cerner Corporation	CERN	Computer Networks	83
Chipotle Mexican Grill, Inc.	CMG	Restaurants	81
Cintas Corporation	CTAS	Personal Services	85
Curtiss-Wright Corp.	CW	Aerospace & Defense	81
DeVry Inc.	DV	Schools	82
Donaldson Company, Inc.	DCI	Misc. Capital Goods	78
Fresh Del Monte Produce Inc.	FDP	Crops	79
Granite Construction Inc.	GVA	Construction Services	76
Hearst-Argyle Television, Inc.	HTV	Broadcasting & Cable TV	87
Hexcel Corporation	HXL	Electronic Instr. & Controls	78
HRPT Properties Trust	HRP	Real Estate Operations	83
Informatica Corporation	INFA	Software & Programming	83
Mercury General Corporation	MCY	Insurance (Prop. & Casualty)	85
Owens & Minor, Inc.	OMI	Medical Equipment & Supplies	79

## AUDIT INTEGRITY TOP 100 2008

### Mid Cap (\$1 Billion - \$5 Billion) (cont. from last page)

Company Name	Ticker	Industry Sector	Most Recent Quarter AGR
Patterson Companies, Inc.	PDCO	Medical Equipment & Supplies	85
Raymond James Financial, Inc.	RJF	Investment Services	77
Rollins, Inc.	ROL	Business Services	82
Roper Industries, Inc.	ROP	Scientific & Technical Instr.	81
Stillwater Mining Company	SWC	Metal Mining	81
Tech Data Corporation	TECD	Computer Hardware	84
Techne Corporation	TECH	Biotechnology & Drugs	84
The Midland Company	MLAN	Insurance (Prop. & Casualty)	86
The Phoenix Companies, Inc.	PNX	Insurance (Life)	85
Transatlantic Holdings, Inc.	TRH	Insurance (Accident & Health)	88
United Fire & Casualty	UFCS	Insurance (Prop. & Casualty)	84
URS Corporation	URS	Construction Services	78
VCA Antech, Inc.	WOOF	Healthcare Facilities	79
Vectren Corporation	VVC	Natural Gas Utilities	79
W.R. Grace & Co.	GRA	Chemical Manufacturing	79
Wesco Financial Corporation	WSC	Conglomerates	78

### Small Cap (\$200 Million - \$1 Billion)

Company Name	Ticker	Industry Sector	Most Recent Quarter AGR
Apco Argentina Inc.	APAGF	Oil & Gas Operations	77
ATMI, Inc.	ATMI	Semiconductors	79
Badger Meter, Inc.	BMI	Scientific & Technical Instr.	84
BioScrip Inc.	BIOS	Healthcare Facilities	86
BJ's Restaurants, Inc.	BJRI	Restaurants	83
Buffalo Wild Wings	BWLD	Restaurants	79
CDI Corp.	CDI	Business Services	85
Centerplate Inc.	CVP	Food Services	84
CNA Surety Corporation	SUR	Insurance (Prop. & Casualty)	86
CONN'S, INC.	CONN	Retail (Technology)	85
Entercom Communications Corp.	ETM	Broadcasting & Cable TV	75
Ethan Allen Interiors Inc.	ETH	Furniture & Fixtures	79
First Merchants Corporation	FRME	Regional Banks	81
FNB Corporation VA	FNB	Regional Banks	78
Fred's, Inc.	FRED	Retail (Specialty)	86
Graphic Packaging Corp	GPK	Paper & Paper Products	78

## AUDIT INTEGRITY TOP 100 2008

**Small Cap (\$200 Million - \$1 Billion)** (cont. from last page)

Company Name	Ticker	Industry Sector	Most Recent Quarter AGR
Hudson Valley Holding Corp.	HUVL	Investment Services	83
iGATE Corporation	IGTE	Software & Programming	86
Independent Bank Corp. (MA)	INDB	Regional Banks	82
Ingles Markets, Incorporated	IMKTA	Retail (Grocery)	88
Investors Real Estate Trust	IRETS	Real Estate Operations	83
Kronos Worldwide, Inc.	KRO	Chemical Manufacturing	81
Marten Transport, Ltd	MRTN	Trucking	83
Mediacom Communications Corporation	MCCC	Broadcasting & Cable TV	82
Middlesex Water Company	MSEX	Water Utilities	86
NetScout Systems, Inc.	NTCT	Computer Networks	80
Old Second Bancorp Inc.	OSBC	Regional Banks	87
PC Connection, Inc.	PCCC	Retail (Catalog & Mail Order)	88
Penford Corporation	PENX	Chemical Manufacturing	84
Perry Ellis International, Inc.	PERY	Apparel/Accessories	83
Playboy Enterprises, Inc.	PLA	Printing & Publishing	81
Protection One, Inc.	PONE	Security Systems & Services	82
S&T Bancorp, Inc.	STBA	Regional Banks	83
Sandy Spring Bancorp Inc	SASR	Regional Banks	80
Sauer-Danfoss Inc.	SHS	Misc. Capital Goods	87
Saul Centers, Inc.	BFS	Real Estate Operations	86
Shenandoah Telecommunications Company	SHEN	Communications Services	78
Spartan Motors, Inc.	SPAR	Auto & Truck Manufacturers	75
Spherion Corporation	SFN	Business Services	84
Sykes Enterprises, Incorporated	SYKE	Computer Networks	81
TAL International Group, Inc.	TAL	Rental & Leasing	86
Tredegar Corporation	TG	Fabricated Plastic & Rubber	82
UniFirst Corporation	UNF	Business Services	83
United Natural Foods, Inc.	UNFI	Food Processing	86
Universal Electronics Inc	UEIC	Audio & Video Equipment	86
Village Super Market, Inc.	VLGEA	Retail (Grocery)	84
Weis Markets, Inc.	WMK	Retail (Grocery)	79
Westwood Holdings Group, Inc.	WHG	Investment Services	85
Weyco Group, Inc.	WEYS	Footwear	81
ZOLL Medical Corporation	ZOLL	Medical Equipment & Supplies	81



## About Audit Integrity and AGR Methodology

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Audit Integrity is an independent, forensic research service which analyzes accounting and governance behavior in over 8,500 publicly traded companies for evidence of high-risk practices. Our primary risk measure is the Accounting and Governance Risk (AGR®) rating, a statistically correlated indicator of equity price performance, securities litigation probability and other key stakeholder events.

AGR methodology is both objective and comprehensive, incorporating governance metrics with extensive financial data in order to identify unique, critical risks. The statistical correlation of Audit Integrity ratings with negative events and market returns has been confirmed by internal and third-party tests. AGR ratings are thus a consistent and effective proxy for corporate integrity, and a critical risk management tool for both corporations as well as corporate stakeholders.

Audit Integrity was founded in 2002 and serves the financial and investment communities from offices in New York and Los Angeles. AGR ratings and underlying metrics are currently available to qualified users via web portal, direct data feeds, Bloomberg, and FactSet.

We appreciate your interest in the Audit Integrity Top 100. If you would like further information on Audit Integrity methodology, research reports and corporate alert services, please visit our website at [www.auditintegrity.com](http://www.auditintegrity.com).

## CONTACT INFORMATION

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