

PRESS RELEASE

Strong Corporate Governance Practices Linked to Strong Quality of Earnings and Financial Transparency, Study Reveals

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There is a strong correlation between the quality of a company's financial filings and its corporate governance practices, according to a study released today by RateFinancials Inc., a New York-based independent risk research firm that rates the financial reporting of publicly held companies.

RateFinancials analysts have spent the past two years rating S&P 500 companies on the basis of three major categories: quality of earnings, transparency and corporate governance. The firm's research demonstrates a clear positive correlation between companies with strong corporate governance practices and those with good quality of earnings and financial transparency. In fact, RateFinancials found that the top 20% of the companies that it has rated earned an average corporate governance score that was 87% higher than the average governance score for the bottom 20% of companies that it had rated. Overall scores are strongly weighted by earnings quality and financial transparency.

"Although we hesitate to say correlation equals causation in every case, we believe the link is strong enough that investors should take notice," said Victor Germack, president and founder of RateFinancials. "In short, our research shows that companies that follow best practices in the area of corporate governance are more likely to treat their shareholders like full partners by practicing conservative accounting and by publishing the most transparent corporate filings."

The trend is underscored by two of RateFinancials' most recent company reports on Sara Lee Corp. (NYSE: SLE) and AutoZone Inc. (NYSE: AZO). Sara Lee received the second-lowest rating possible for its corporate governance practices and for its earnings quality, accounting practices and disclosure policies. Among the governance issues RateFinancials found were excessive compensation paid to outside directors and to management and an audit committee that lacks demonstrable financial expertise.

RateFinancials also found that Sara Lee's financial statements and SEC filings possessed a host of earnings quality and transparency issues including the company's failure to expense stock options, a persistent use of restructuring charges, the repayment of all short term debt just prior to issuing financial statements and an underfunded pension plan, among others.

AutoZone received the highest rating possible for its disclosure and transparency and the second-highest rating for its quality of earnings and accounting policies. The company earned the second-highest rating for its corporate governance practices.

The study's results are based on RateFinancials examination of 196 S&P 500 companies, representing more than 50 percent of the index's market capitalization.