

MOST DANGEROUS STOCKS

GVHR GEVITY HR INC

Current Price \$21.48

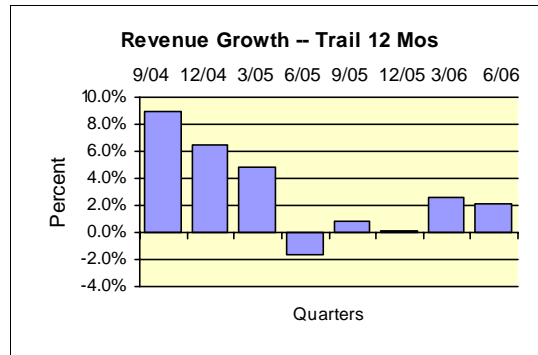
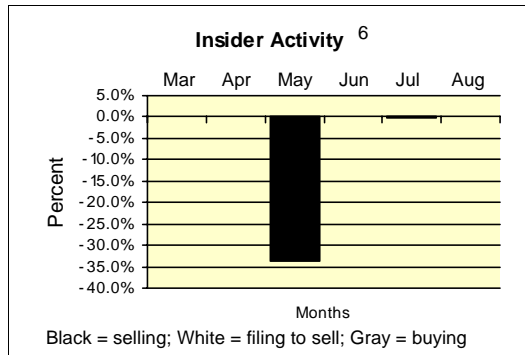
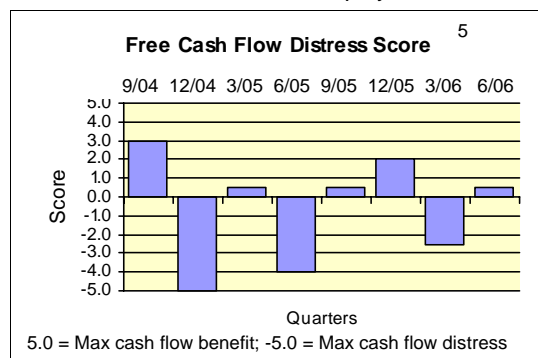
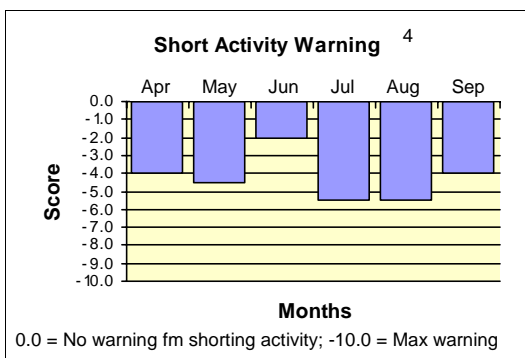
Market cap \$643

Price, 52-wk Hi/Lo \$30.40 / \$20.62

Provides a broad range of employee management services, including human resources consulting, payroll administration, benefits administration, risk management and unemployment services.



Options?	Yes	Recent convertible	No	Convertible debts and pfd ¹	\$0
PE TTM	15.8x	Insider ownership	2 %	Next earnings due:	10/26/2006
Estimated PE	16.3x	Potential dilution ²	5 %	Bankruptcy Z-Score ³	4.0



RED FLAGS

<i>Ability to meet expectations</i>		<i>Early balance sheet warnings</i>		<i>Stock selling signals</i>	
High P/S ratio TTM ⁷	<input type="checkbox"/>	Rising inventory to sales ¹²	<input type="checkbox"/>	High insider selling ¹⁷	<input type="checkbox"/>
Negative free cash flow ⁸	<input type="checkbox"/>	Rising accounts receivable ¹³	<input type="checkbox"/>	Large institutional ownership ¹⁸	<input checked="" type="checkbox"/>
Sales growth slowdown ⁹	<input type="checkbox"/>	High long-term debt to capital ¹⁴	<input type="checkbox"/>	Co sales of common stock ¹⁹	<input type="checkbox"/>
<i>Accounting issues</i>		<i>Stock and debt ratings</i>			
Change in actg principles ¹⁰	<input type="checkbox"/>	Recent ratings downgrade or sell ¹⁵	<input type="checkbox"/>		
Qualified audit language ¹¹	<input type="checkbox"/>	S+P Debt Downgrade ¹⁶	<input type="checkbox"/>		

INVESTMENT CONCERNS

Gevity recently met earnings guidance by using excess reserves and by slashing its tax rate for a quarter. Because it self-insures worker comp, it can make assumptions to report an exceptionally low loss ratio even though workers comp is famous for its long tail. The Florida workers comp market was soft this year, and both Florida and California are expected to be much softer next year, which has a direct impact on earnings. Gevity's effort to keep premiums up has also produced stagnate growth. The COO announced his departure only days ago.