

MOST DANGEROUS STOCKS

KNOT THE KNOT INC

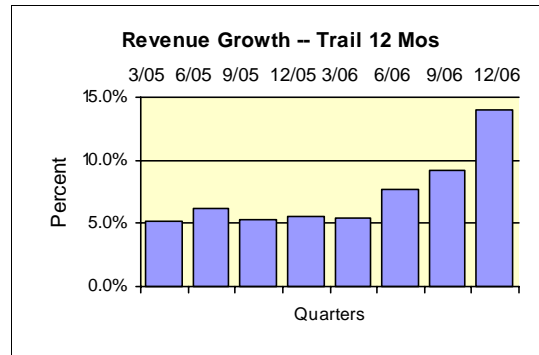
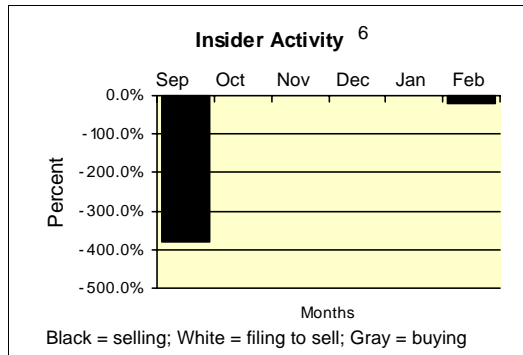
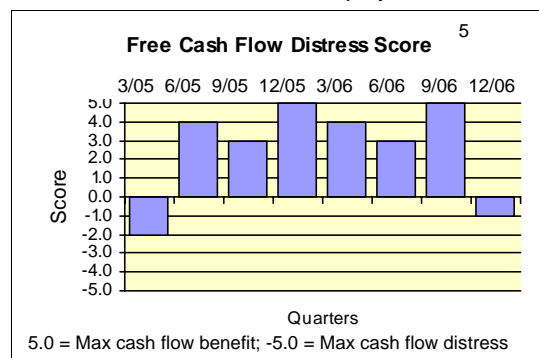
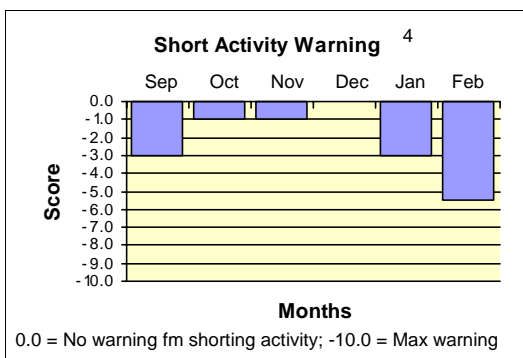
Current Price \$22.36
Price, 52-wk Hi/Lo \$32.18 / \$13.24

Market cap \$812

Provides products and services to couples planning their weddings. Its Web site, www.theknot.com, offers content, wedding-related shopping, an online wedding gift registry and an active community.



Options?	Yes	Recent convertible	No	Convertible debts and pfd ¹	\$0
PE TTM	54.7x	Insider ownership	4 %	Next earnings due:	5/11/2007
Estimated PE	48.4x	Potential dilution ²	5 %	Bankruptcy Z-Score ³	3.9



RED FLAGS

<i>Ability to meet expectations</i>		<i>Early balance sheet warnings</i>		<i>Stock selling signals ¹⁷</i>	
High P/S ratio TTM ⁷	<input checked="" type="checkbox"/>	Rising inventory to sales ¹²	<input type="checkbox"/>	High insider selling ¹⁷	<input checked="" type="checkbox"/>
Negative free cash flow ⁸	<input type="checkbox"/>	Rising accounts receivable ¹³	<input type="checkbox"/>	Large institutional ownership ¹⁸	<input 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

Theknot.com missed 4Q06 revenue estimates and blamed slower growth in national advertising. However, the company is facing sharply stronger competition from brides.com, started by a Conde Nast that had slept while theknot.com took share. Now Alexa shows that theknot.com reach has softened while brides.com has grown. More importantly, growth for theknot.com ex- an acquisition fell in 4Q06 and free cash flow turned down as accruals rose. None of this seems to be reflected in a stock trading at 55x trailing 12-month earnings from continuing operations.