

# VALENS RESEARCH



## Cross-Capital Investing Credit to Equity – Equity to Credit

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January 2017

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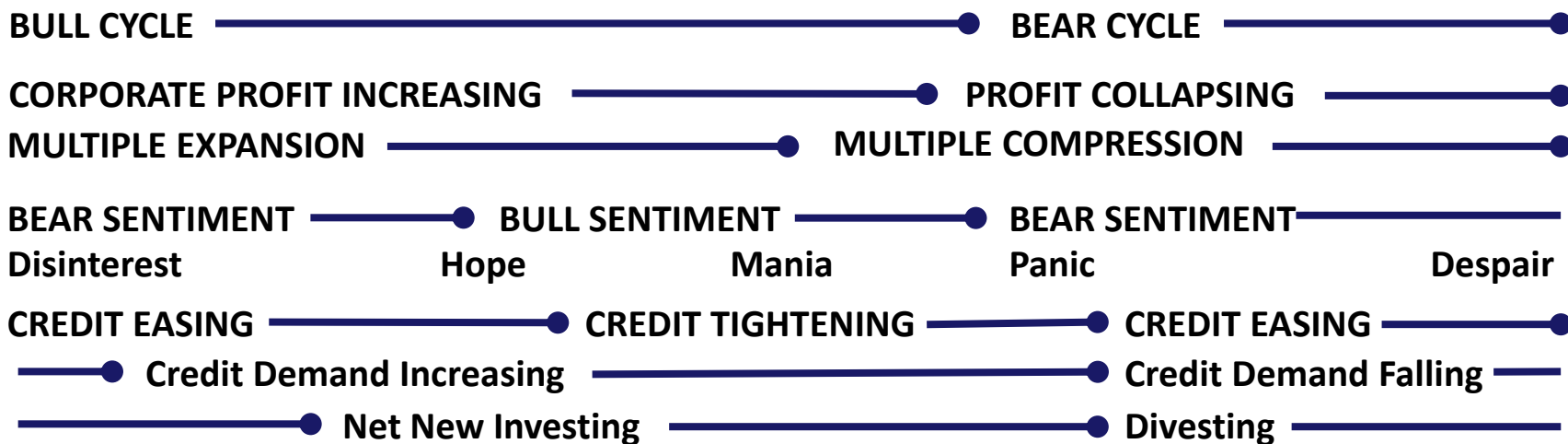
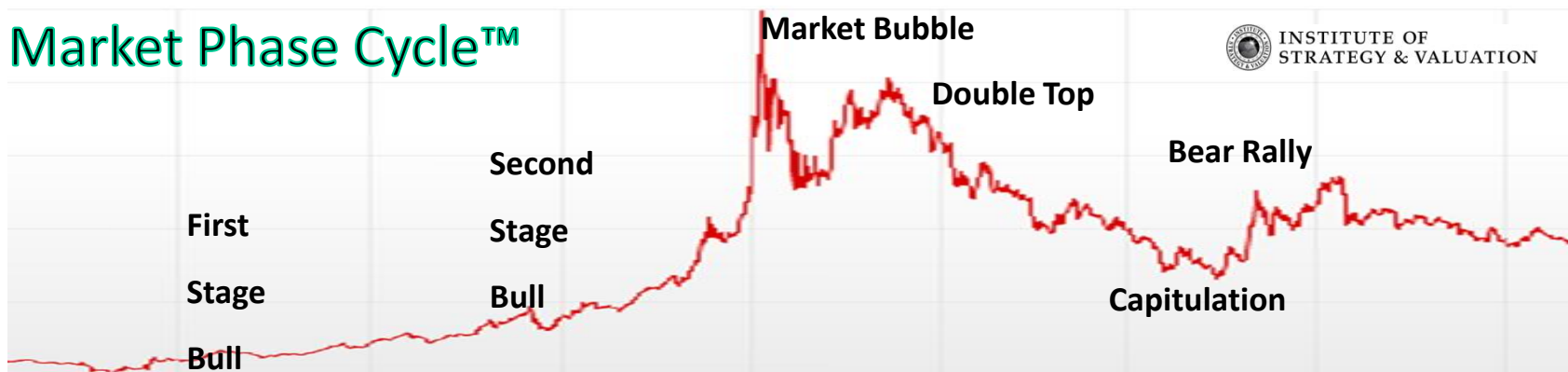
“Without the firm handle on that flexibility that credit analysis provides,

...we'd argue you can't fully understand the wealth-creation process as an equity investor.”

Mitchell Julis  
Canyon Capital



# Market Phase Cycle™

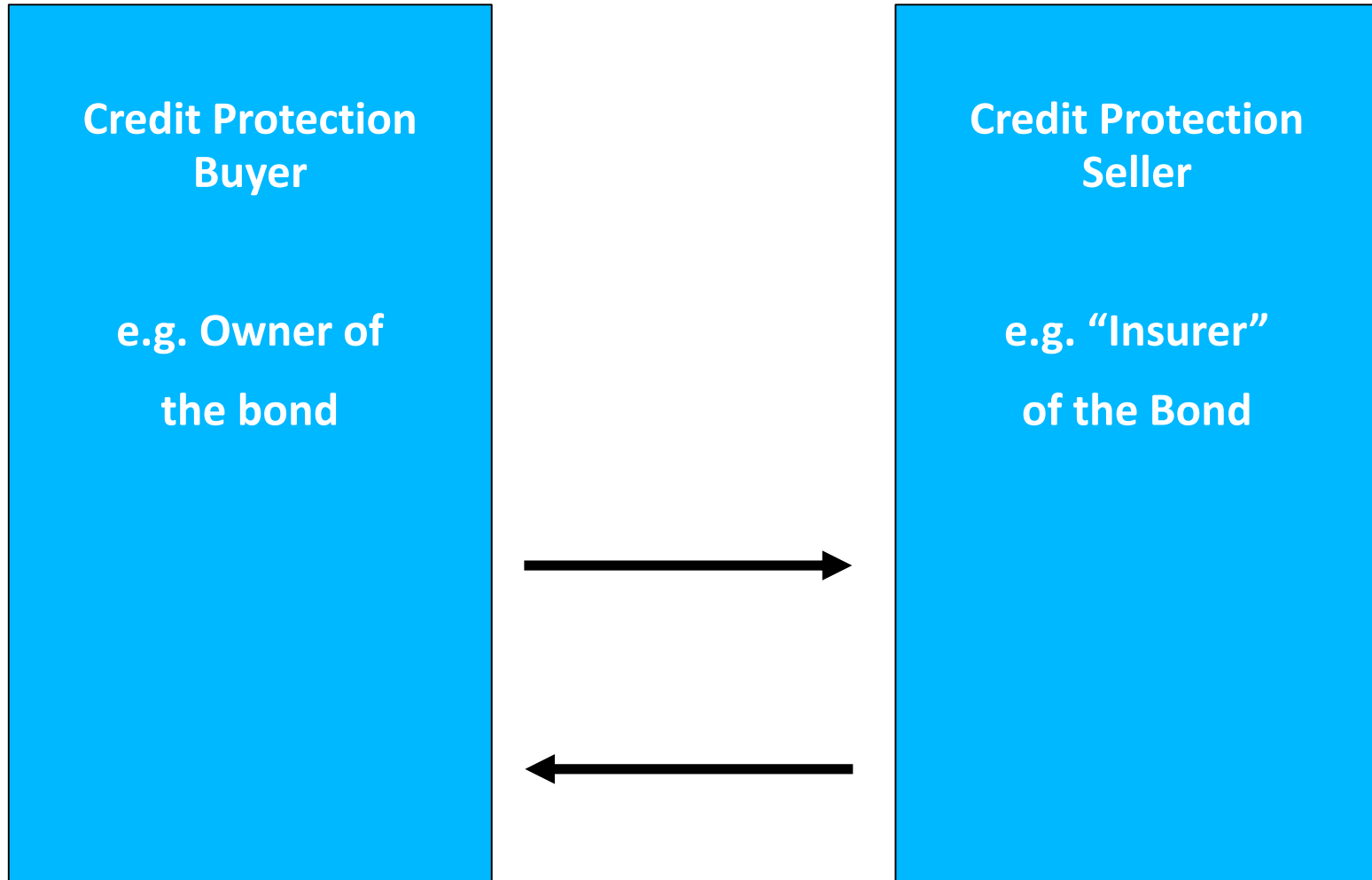


	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>	<b>Meaning</b>
<b>Investment Grade</b>	Aaa	AAA	AAA	Prime
	Aa1	AA+	AA+	High Grade
	Aa2	AA	AA	
	Aa3	AA-	AA-	
	A1	A+	A+	Upper Medium Grade
	A2	A	A	
	A3	A-	A-	
	Baa1	BBB+	BBB+	Lower Medium Grade
	Baa2	BBB	BBB	
	Baa3	BBB-	BBB-	

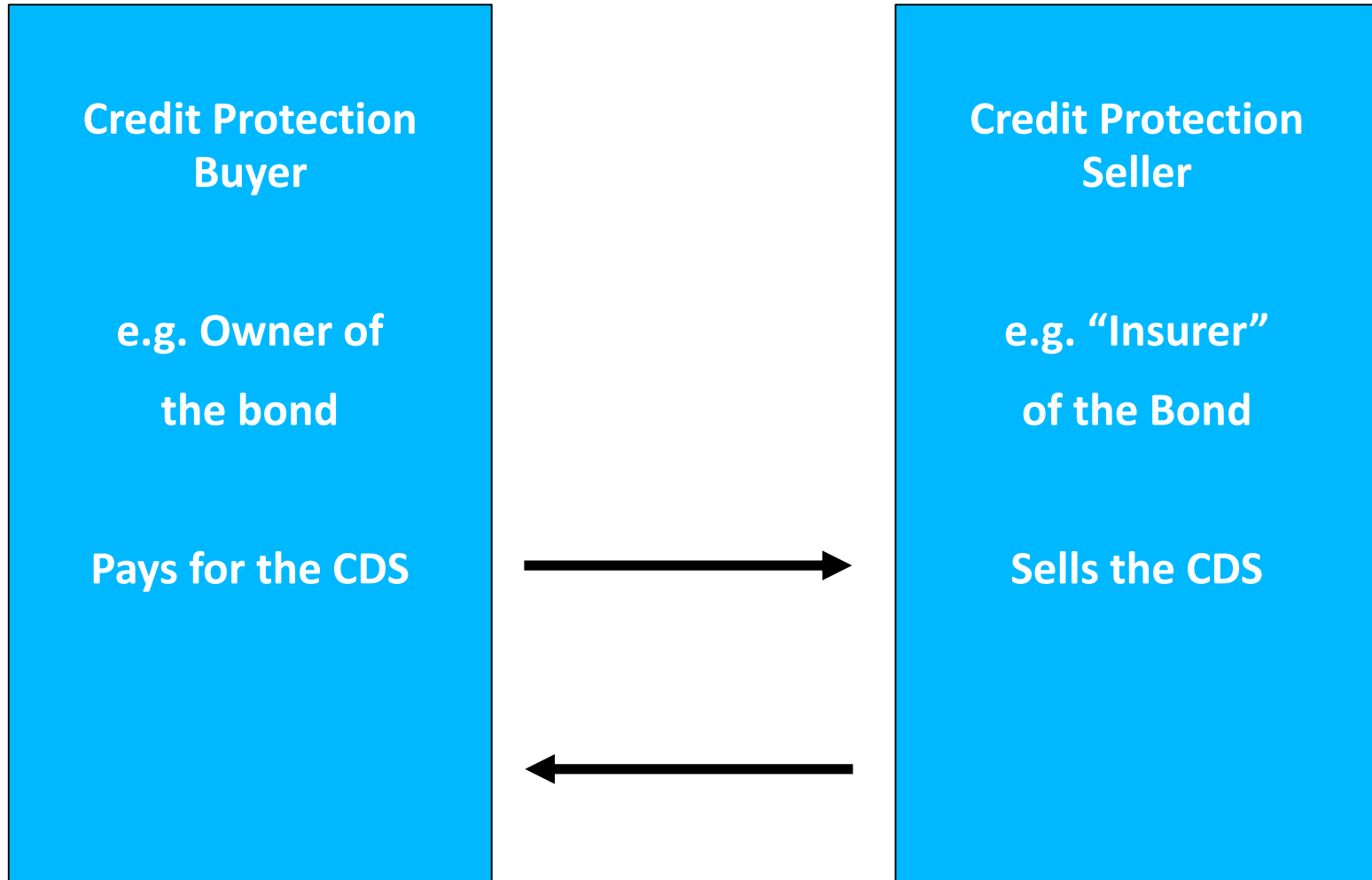
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<b>Investment Grade</b>	Aaa	AAA	AAA	Prime
	Aa1	AA+	AA+	
	Aa2	AA	AA	
	Aa3	AA-	AA-	High Grade
	A1	A+	A+	
	A2	A	A	
	A3	A-	A-	Upper Medium Grade
	Baa1	BBB+	BBB+	
	Baa2	BBB	BBB	
	Baa3	BBB-	BBB-	Lower Medium Grade
<b>Junk</b>	Ba1	BB+	BB+	Non Investment Grade Speculative
	Ba2	BB	BB	
	Ba3	BB-	BB-	
	B1	B+	B+	Highly Speculative
	B2	B	B	
	B3	B-	B-	
	Caa1	CCC+	CCC+	Substantial Risks
	Caa2	CCC	CCC	Extremely Speculative
	Caa3	CCC-	CCC-	In Default w/ Little Prospect for Recovery
	Ca	CC	CC+	
		C	CC	
			CC-	In Default
D	D	DDD		

	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>	<b>Meaning</b>
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	Aa1	AA+	AA+	
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	A1	A+	A+	
	A2	A	A	
	A3	A-	A-	Upper Medium Grade
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			CC-	In Default
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# Credit Default Swap

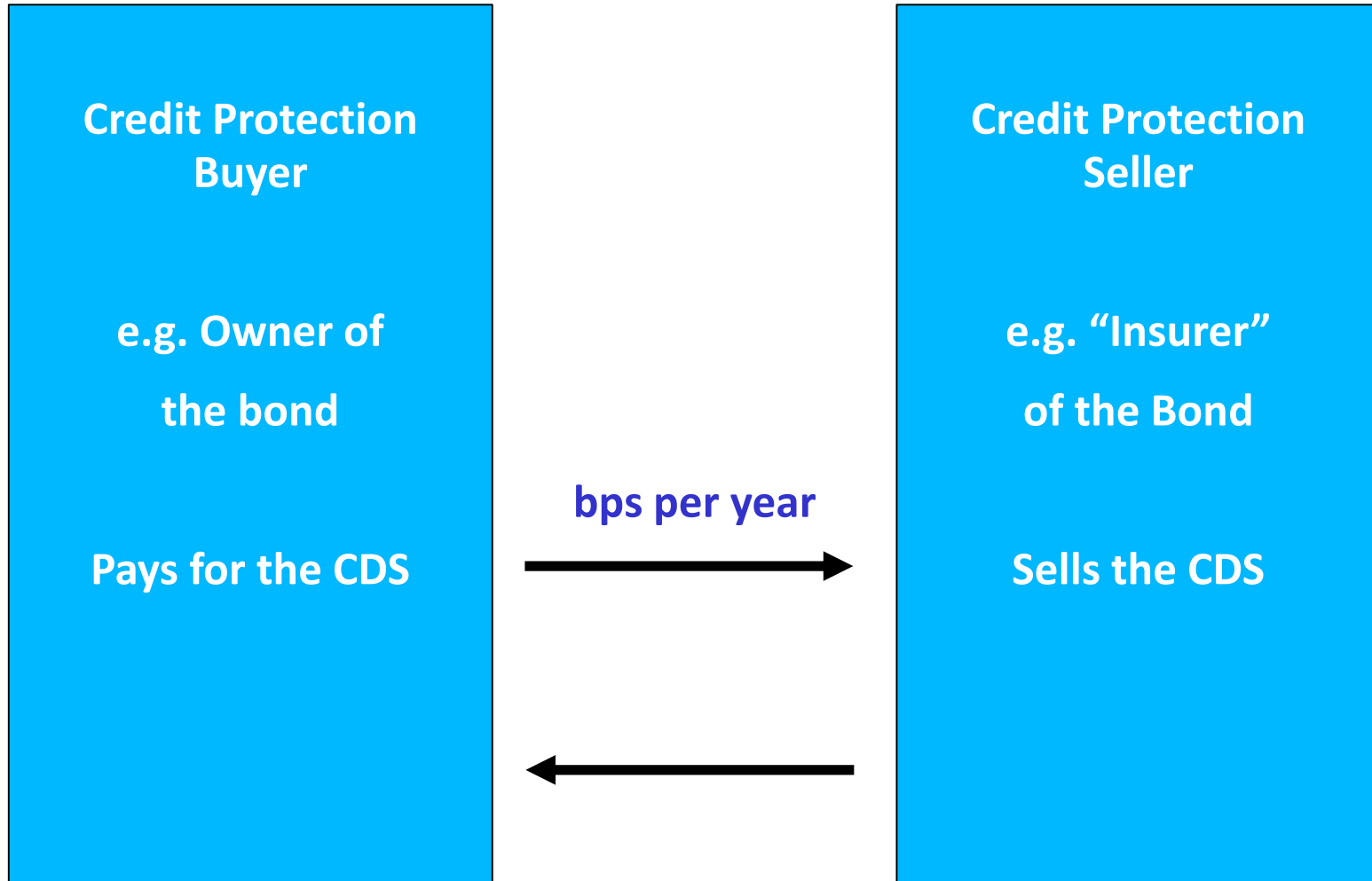


# Credit Default Swap

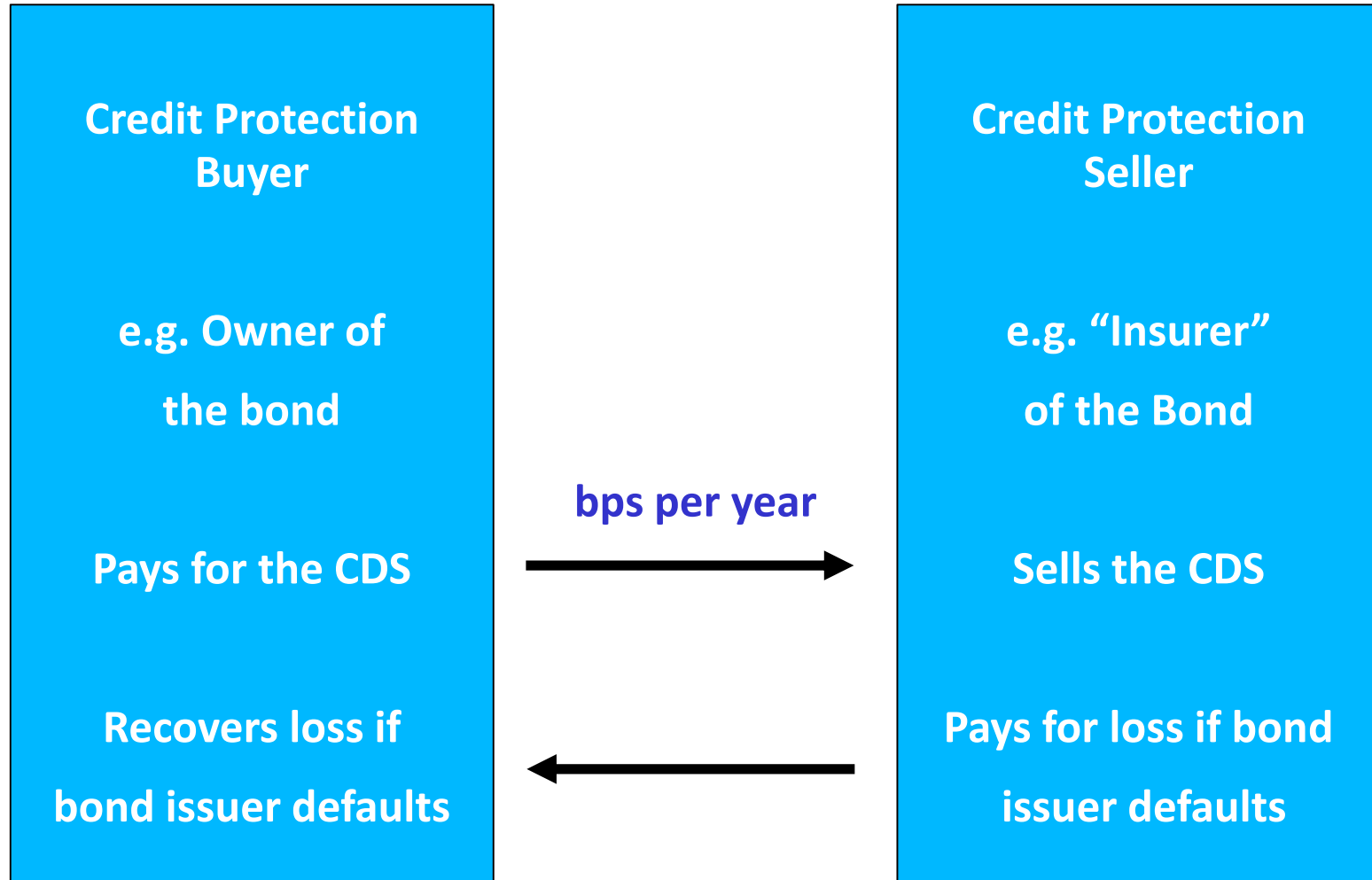




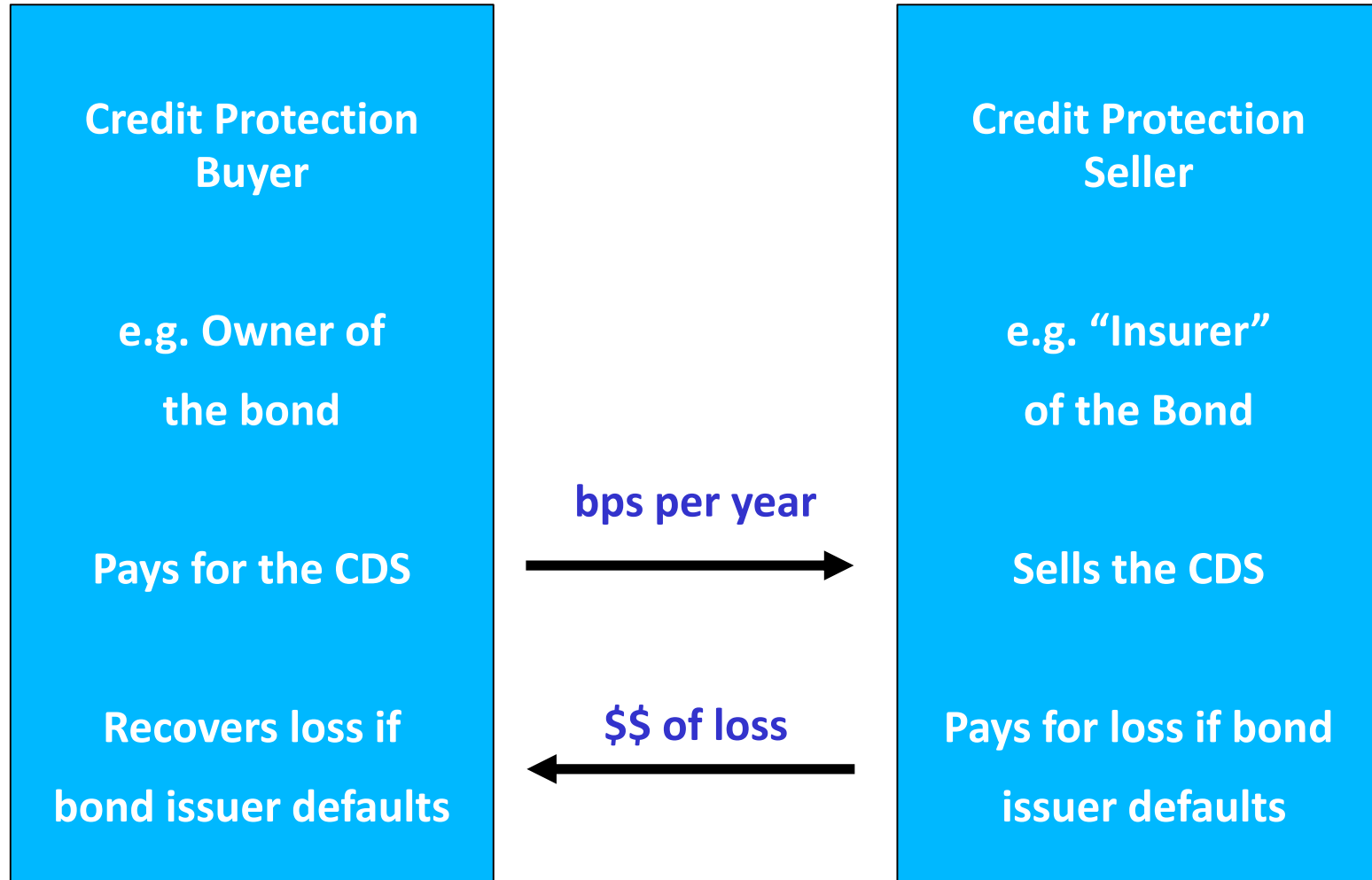
# Credit Default Swap



# Credit Default Swap



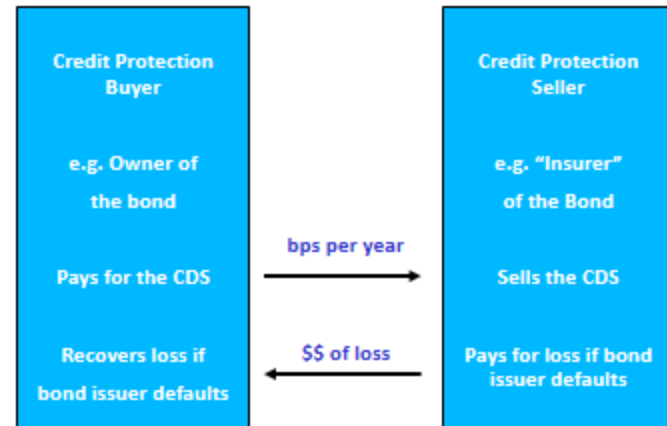
# Credit Default Swap





	Moody's	S&P	Fitch	Meaning
Investment Grade	Aaa	AAA	AAA	Prime
	Aa1	AA+	AA+	High Grade
	Aa2	AA	AA	
	Aa3	AA-	AA-	
	A1	A+	A+	Upper Medium Grade
	A2	A	A	
	A3	A-	A-	
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	Ca	CC	CC+	
		C	CC	
			CC-	In Default
D	D	DDD		

### Credit Default Swap



?

## Valens Credit Rating Guide and Term Glossary

Moody's	S&P	Fitch	Description	Valens Credit	iCDS - Low	iCDS - High	Stated Risk of Default - 5 Yr
Aaa	AAA	AAA	Prime	IG1	0	35	0.09%
Aa1	AA+	AA+	High Grade	IG2+	30	80	0.45%
Aa2	AA	AA		IG2			
Aa3	AA-	AA-		IG2-			
A1	A+	A+	Upper Medium Grade	IG3+	70	190	1.10%
A2	A	A		IG3			
A3	A-	A-		IG3-			
Baa1	BBB+	BBB+	Lower Medium Grade	IG4+	175	360	1.93%
Baa2	BBB	BBB		IG4			
Baa3	BBB-	BBB-		XO	340	575	
Ba1	BB+	BB+	Non-Investment Grade Speculative	XO-	550	850	10.90%
Ba2	BB	BB		HY1			
Ba3	BB-	BB-		HY1-			
B1	B+	B+	Highly Speculative	HY2+	800	3,500	24.09%
B2	B	B		HY2			
B3	B-	B-		HY2-			
Caa1	CCC+	CCC	Substantial Risks	HY3+	1,100	10,000	46.34%
Caa2	CCC		Extremely Speculative	HY3			
Caa3	CCC-		In Default with Little Prospect For Recovery	HY3-			
Ca	CC C			HY4 HY5			
C	D	DDD DD D	In Default	HY6 HY7 HY8			

Default Rates Source: Moody's Investor Service - Annual Default Study: Corporate Default and Recovery Rates, 1920-2013

Updated: February 28, 2014

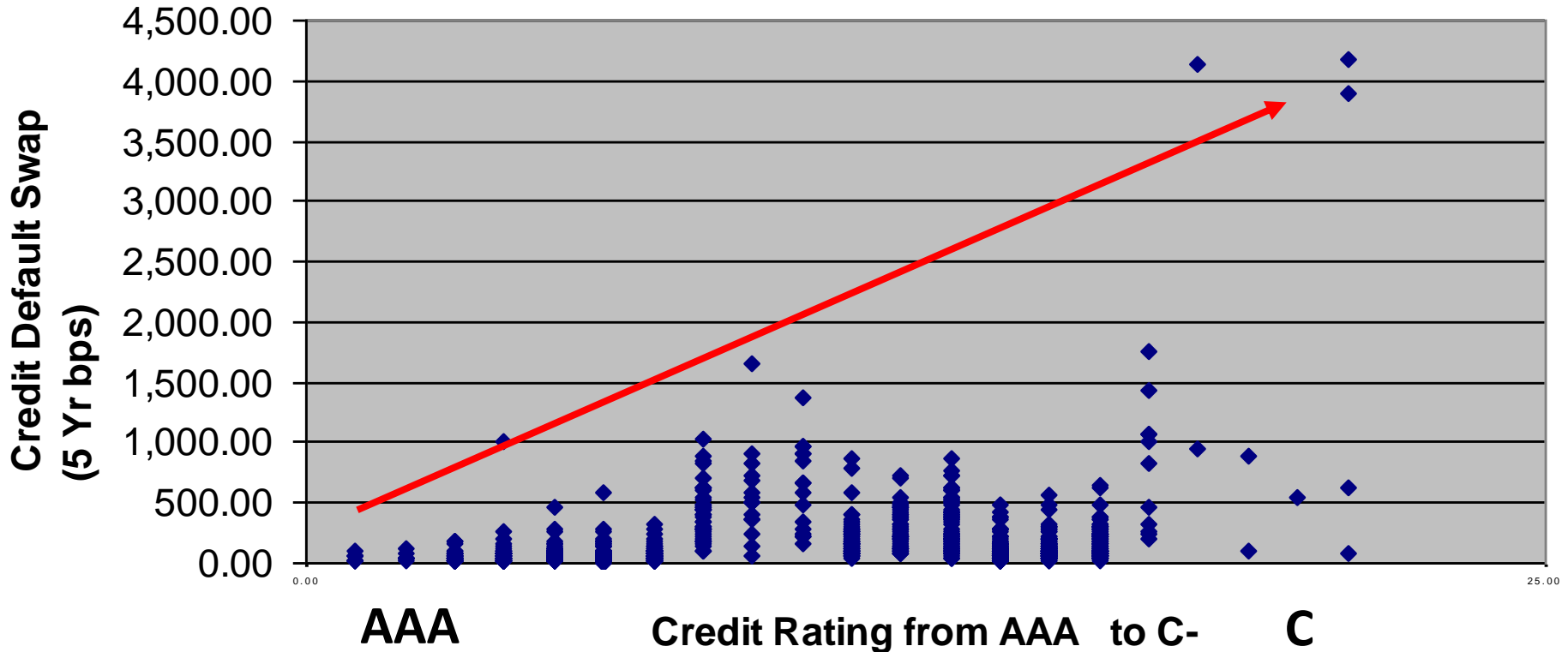
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# CDS vs. Avg Credit Rating

1,216 Companies Worldwide with CDS and Credit Rating







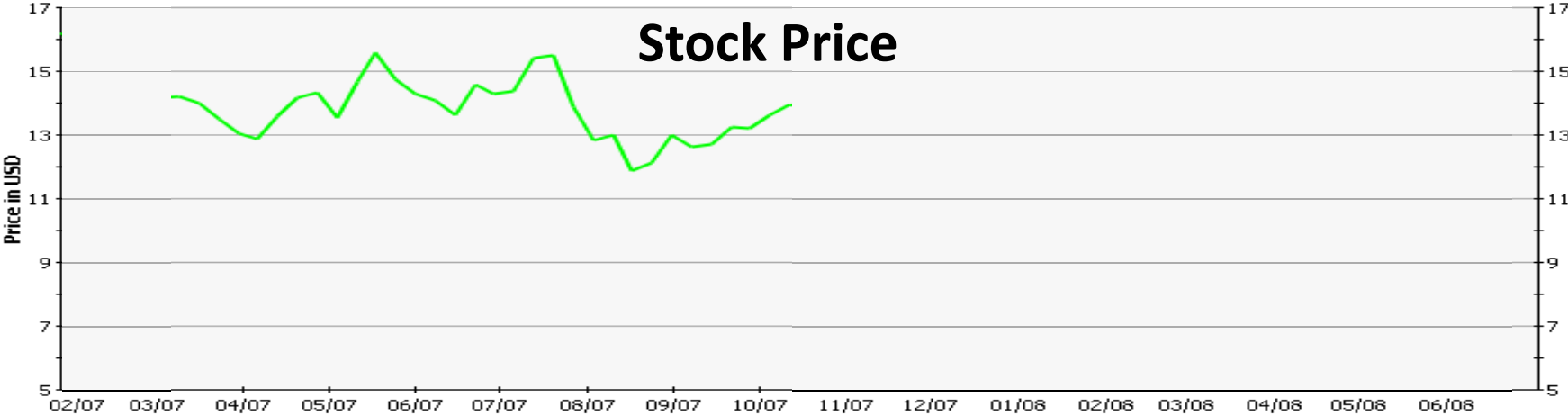
# Credit Default Swaps (CDS)

<b>Medians</b>	<b>CDS 5yr (bps)</b>	<b>Leverage @ EV'</b>	<b>ROA'</b>	<b>V/A'</b>
Top Decile	530	57%	4%	1.2
Middle	104	33%	9%	1.7
Low Decile	34	15%	14%	2.6

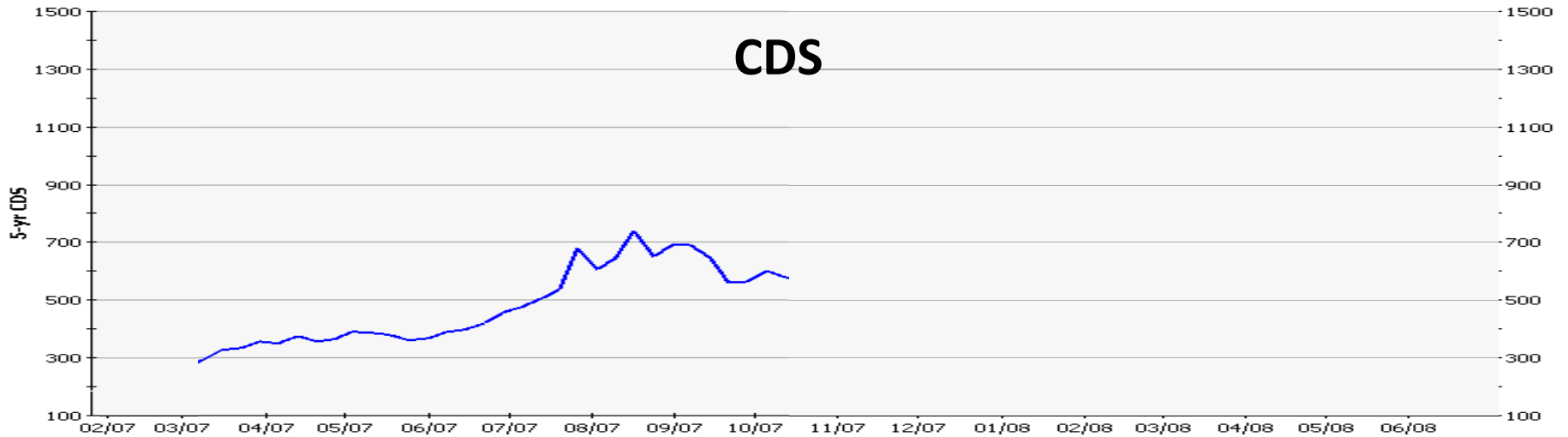
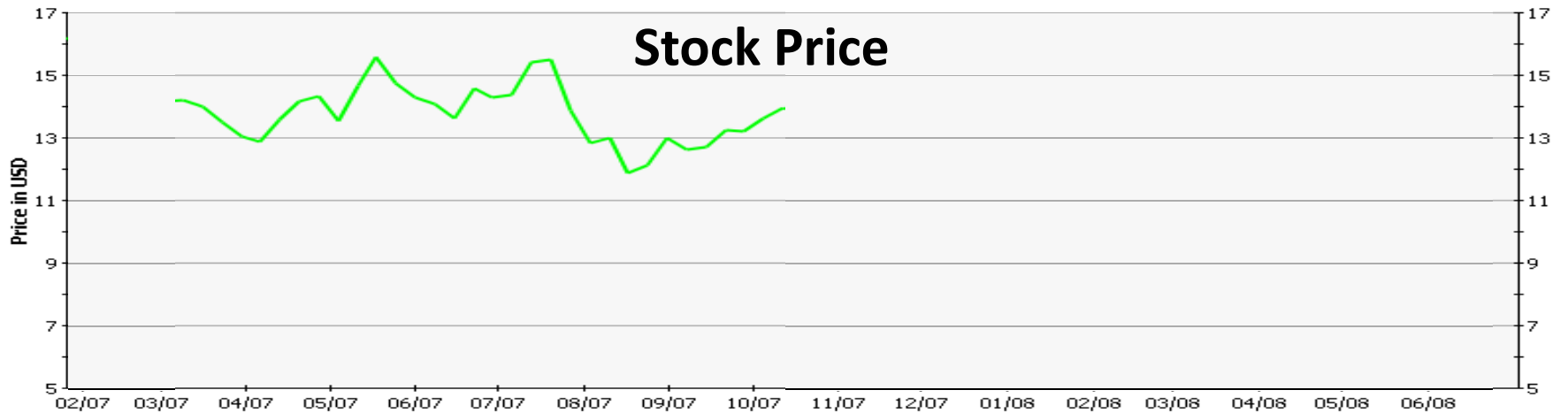
Source: June 13, 2008, 712 Companies with Markit CDS available, Market Cap > \$1bn

**AMD**

# AMD: In 2007, AMD held up at \$13

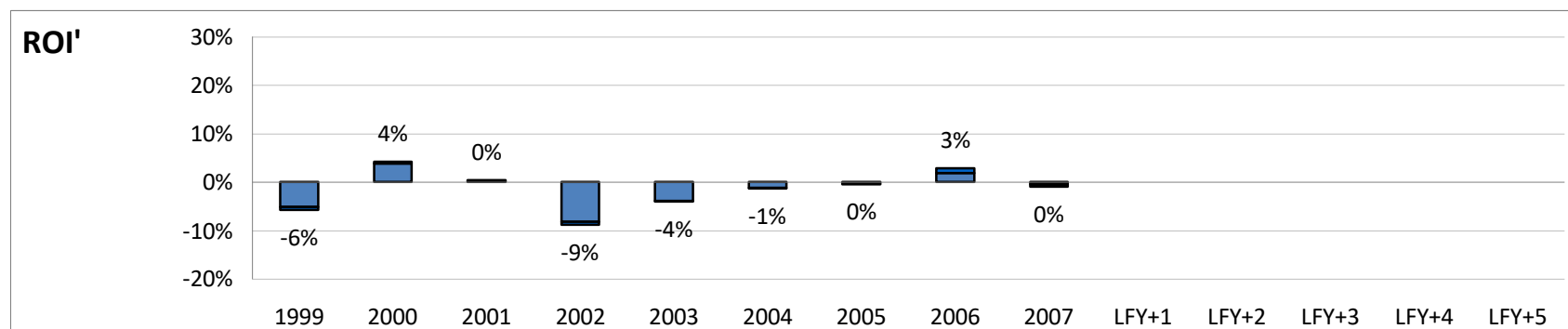


# AMD: Meanwhile, CDS had climbed to 600bps



# AMD: A history of terrible cash flow returns

## ADVANCED MICRO DEVICES



## AMD's Compensation Plan (DEF14A)

*“...operating income...”*

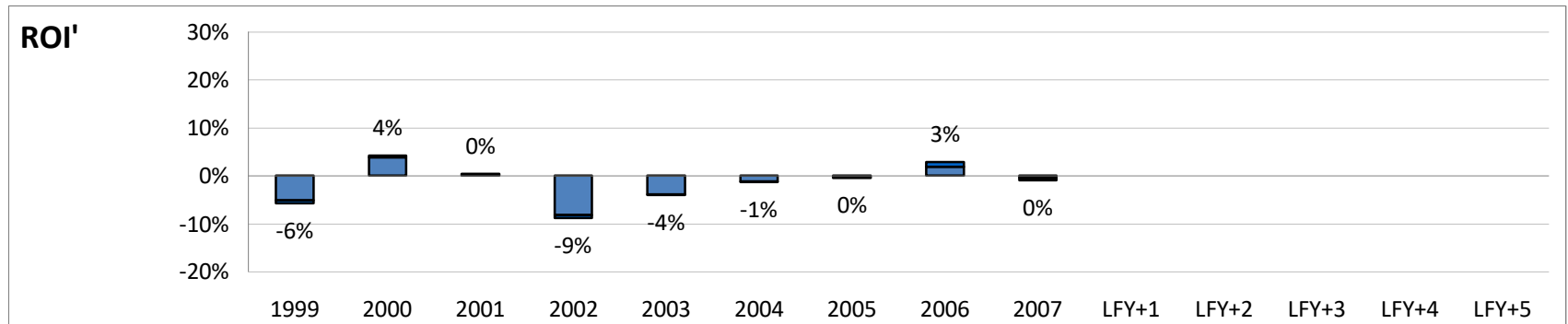
*“...two six month reporting periods...”*

*“...target AIP as percentage of base salary is 200%...”*



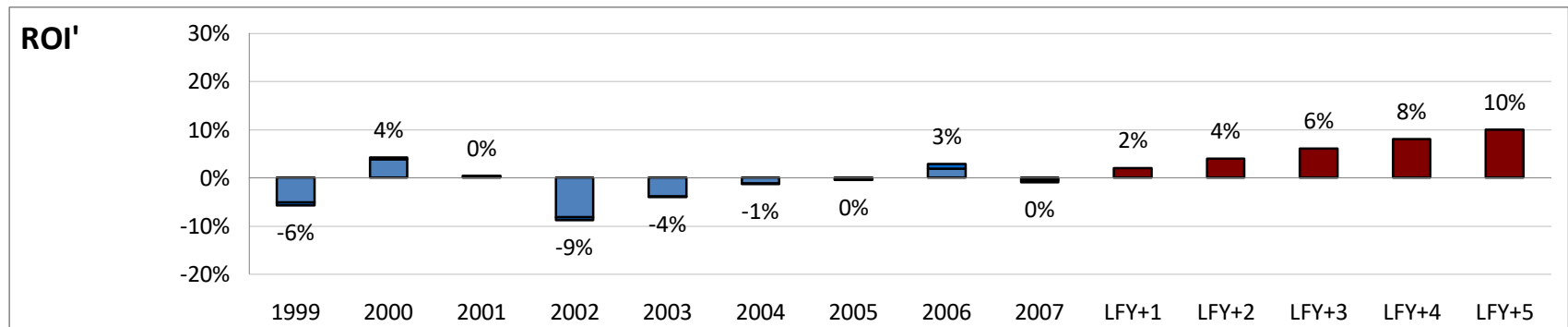
AMD: At \$13.50, a significant turnaround was priced in...

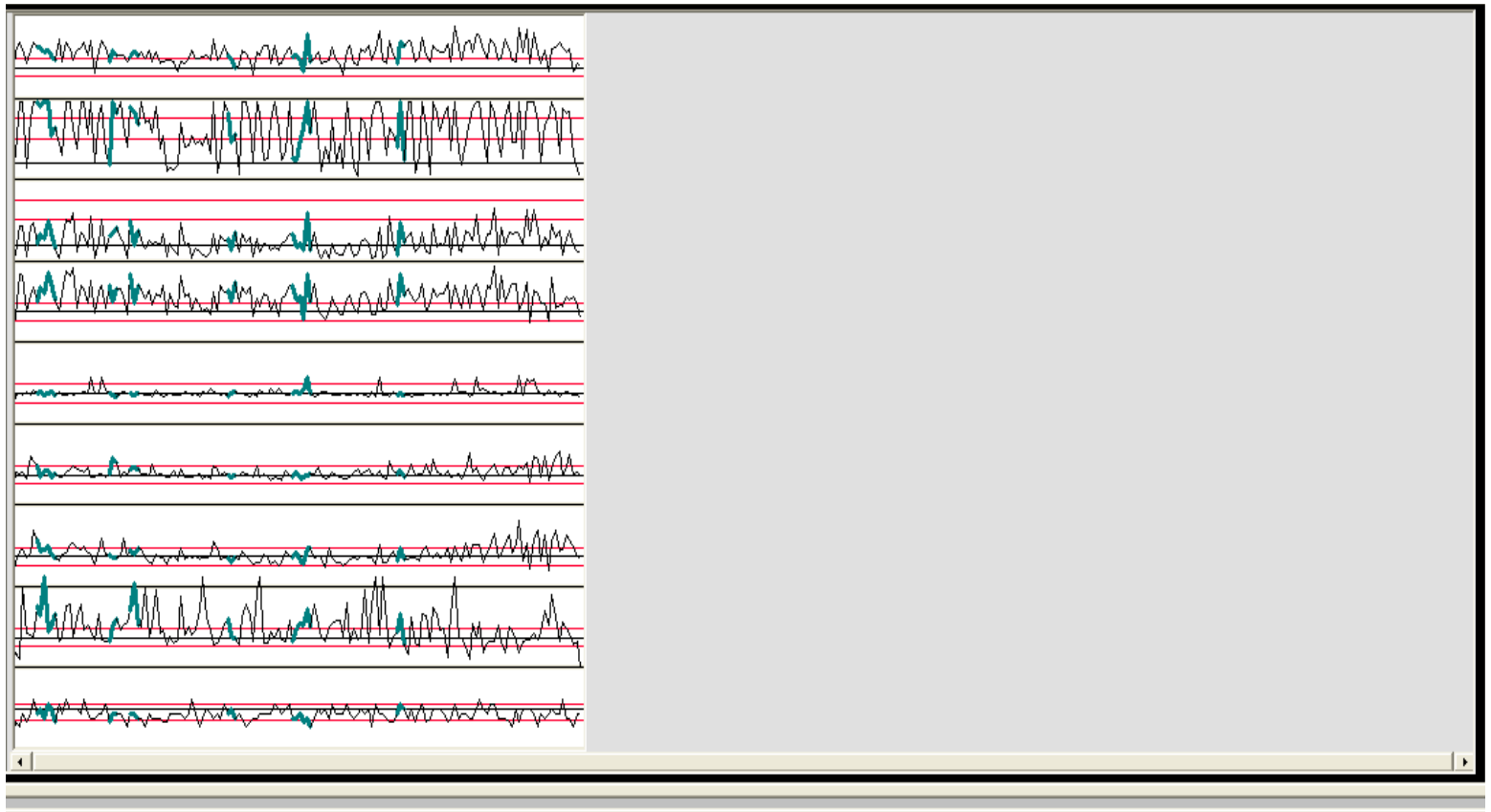
## ADVANCED MICRO DEVICES

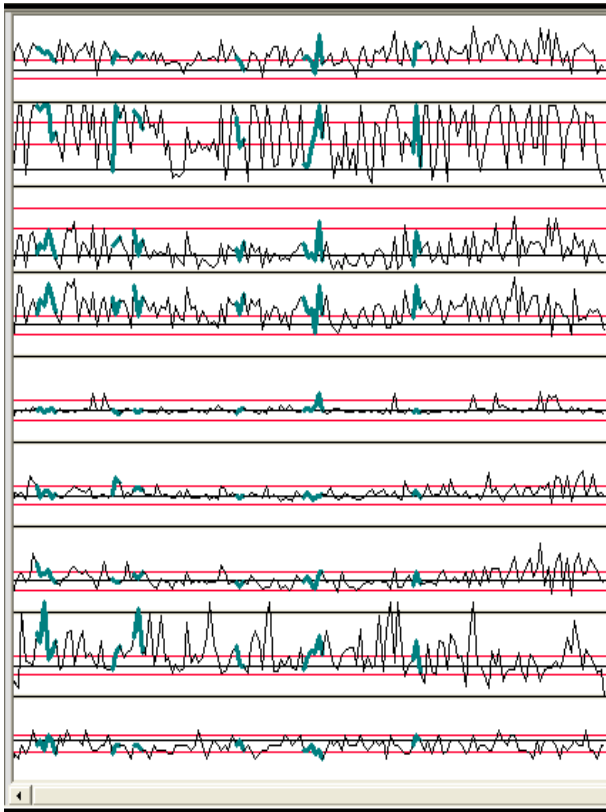


AMD: At \$13.50, a significant turnaround was priced in...

## ADVANCED MICRO DEVICES







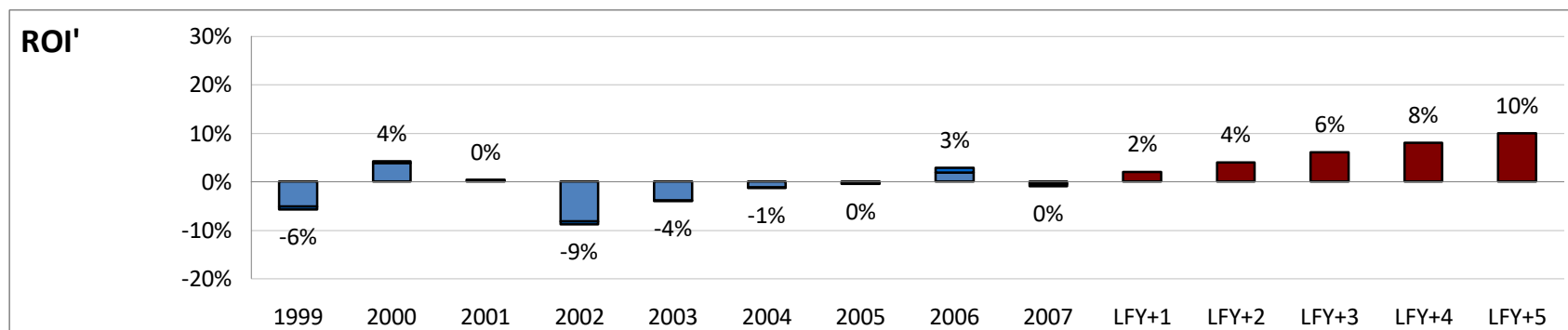
**Obvious excitement:**

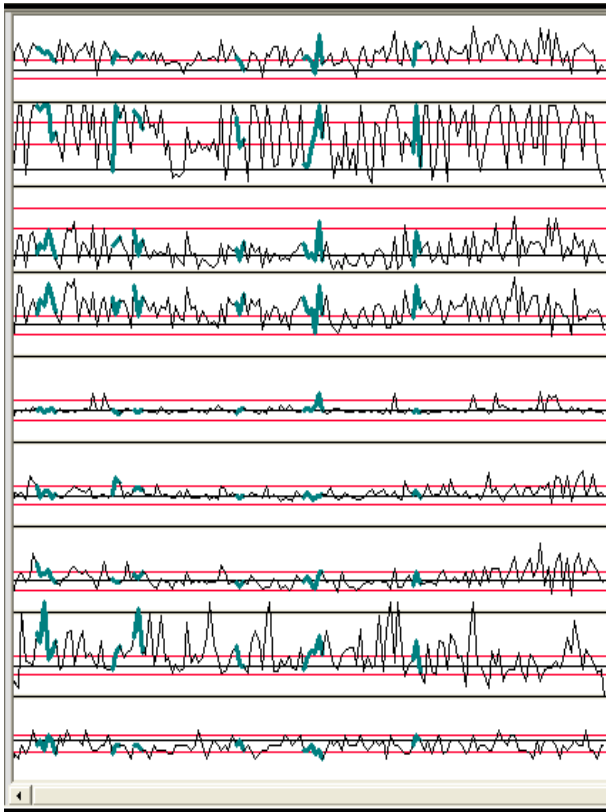
***“...commitment to R&D...”***

***“...design wins...”***

# AMD: With cash this high, why 600bps CDS?

## ADVANCED MICRO DEVICES





**Excited:**

***“...commitment to R&D...”***

***“...design wins...”***



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## INSTITUTE OF STRATEGY & VALUATION



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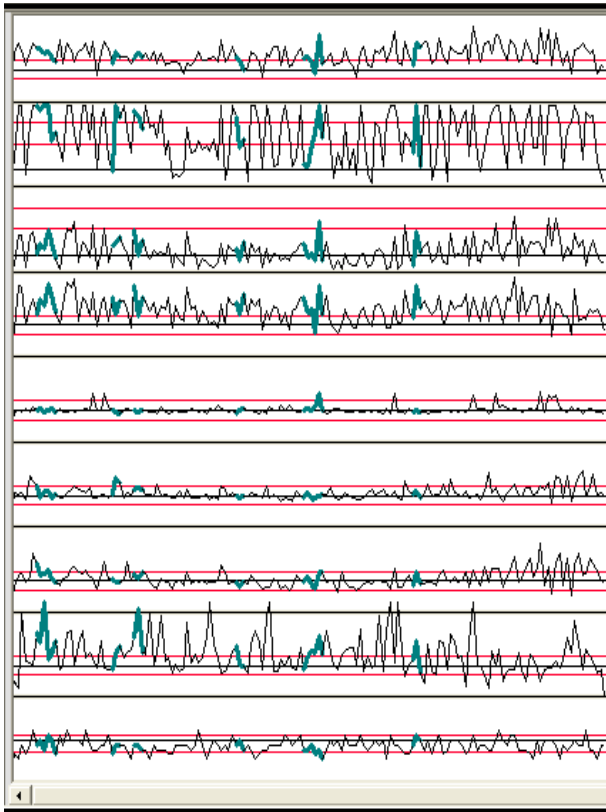
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**Excited:**

*“...commitment to R&D...”*

*“...design wins...”*

**Highly questionable:**

*“...commitment to cost cutting...”*

**Significant Hesitation, Questionable:**

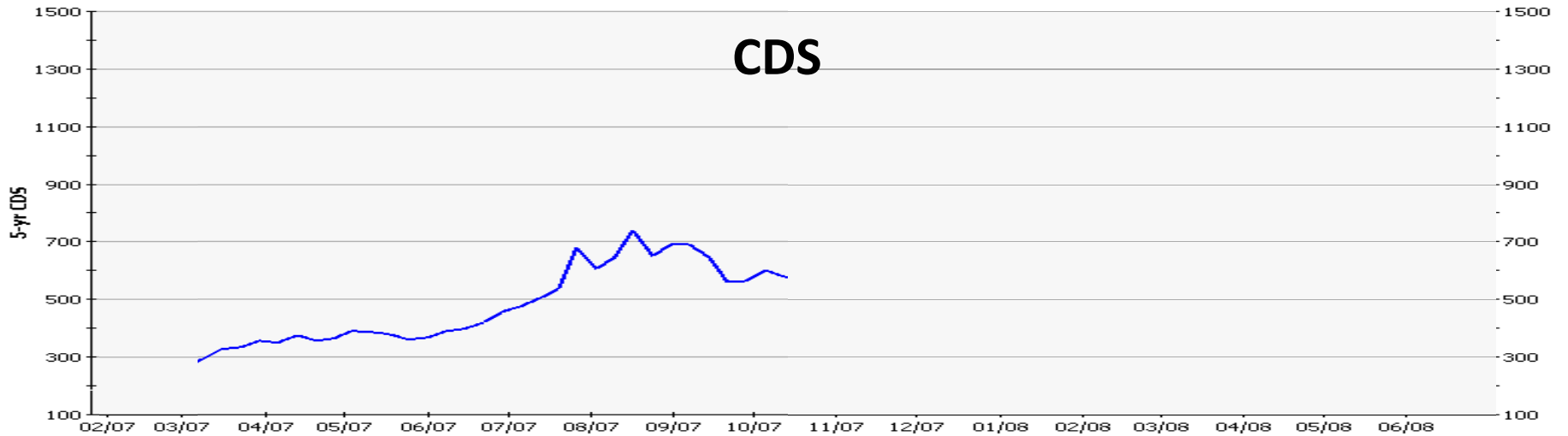
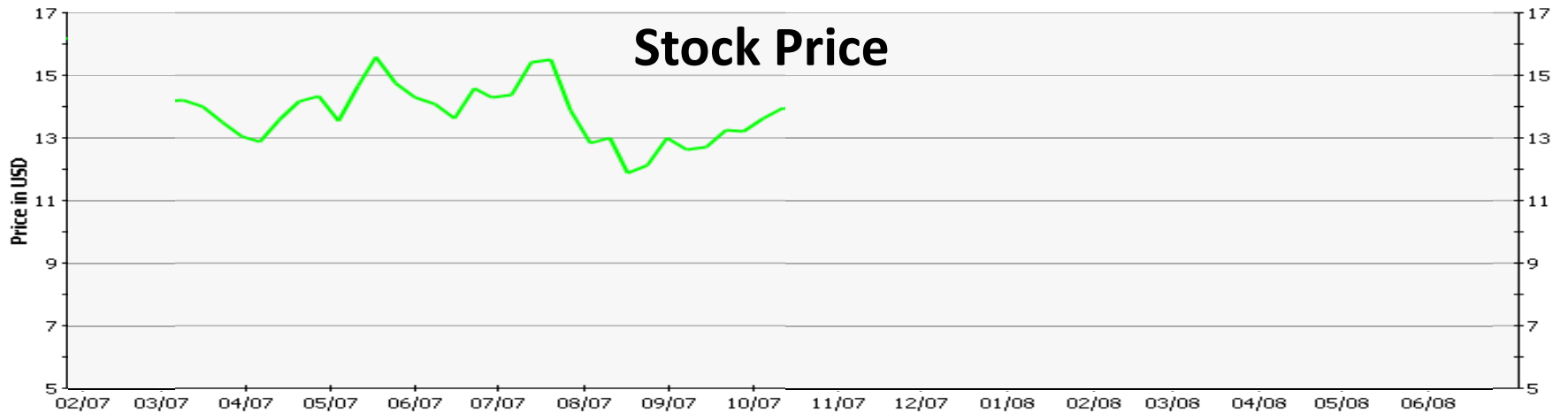
*“...gross margins improving...”*

*“...continue to execute...”*

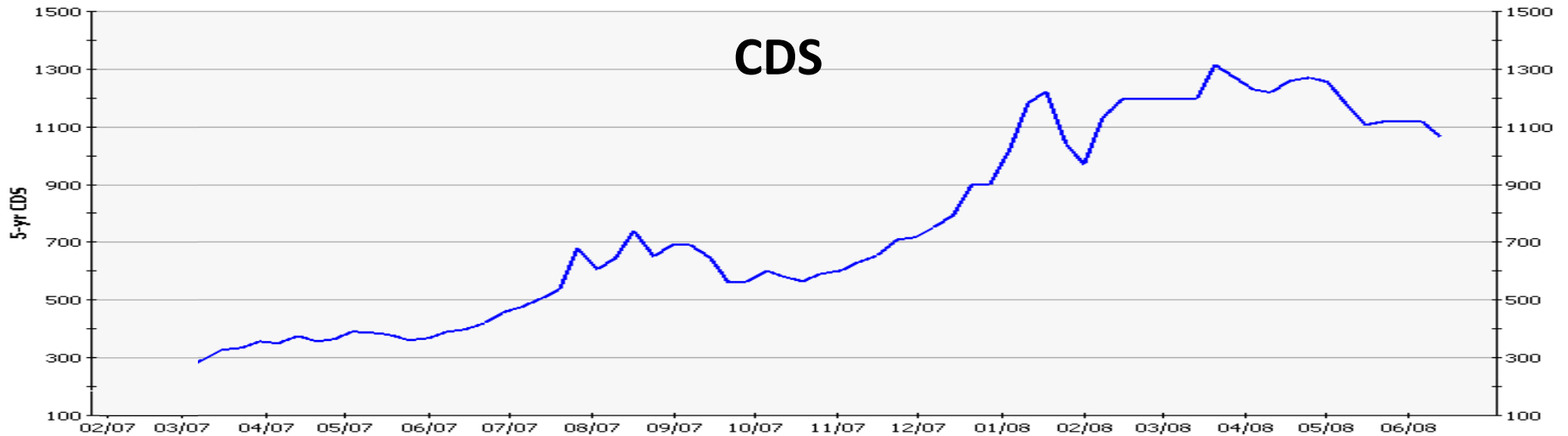
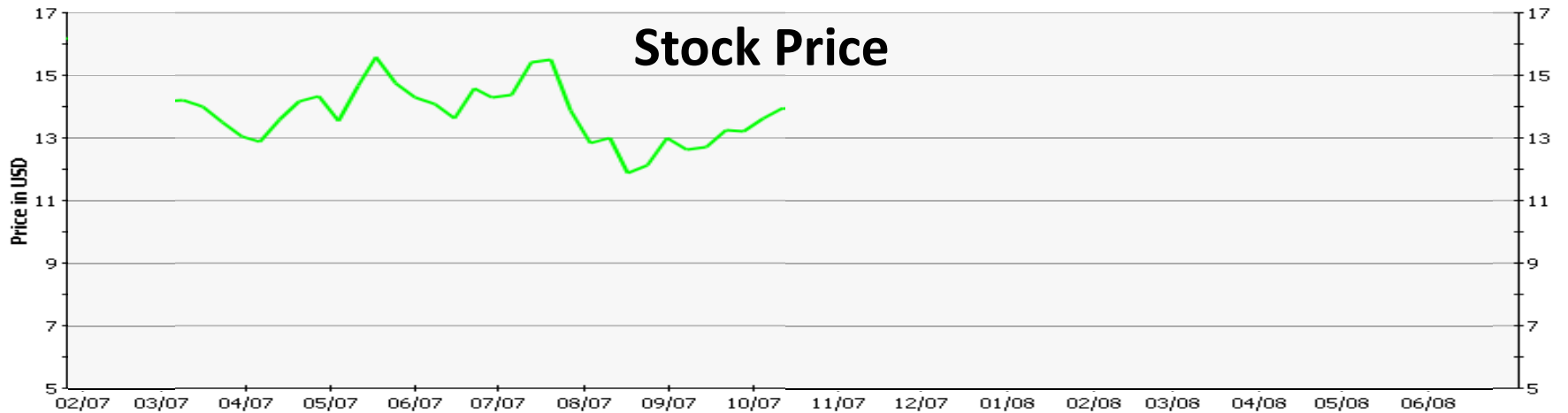
*“...start production...”*



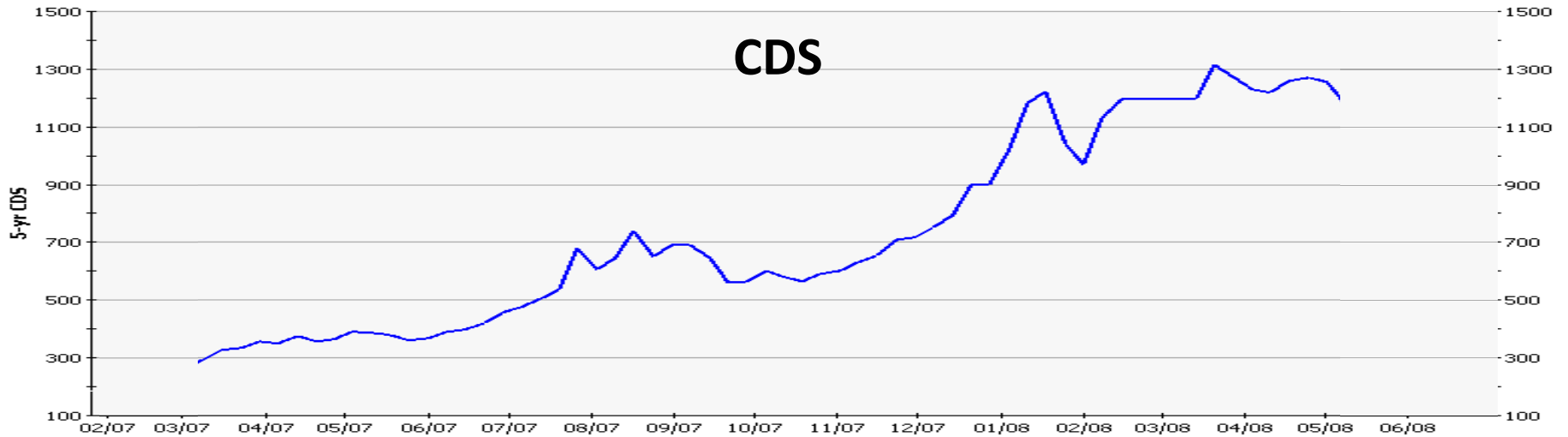
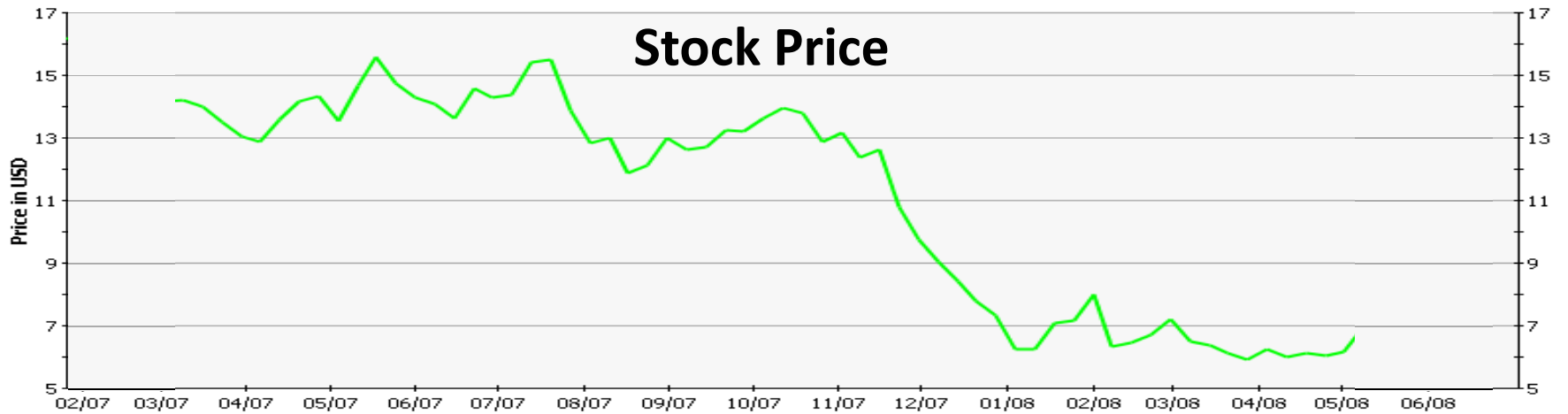
# AMD: Months later, CDS continued to climb...



# AMD: Months later, CDS continued to climb to over 1000bps



# AMD: And stock price...



# Credit Default Swap Data

	5 Year CDS Mid Spread (bps)			
Name	Credit Suisse	Markit	Bloomberg	Moody's
<b>MGM Mirage</b>	<b>1103</b>	<b>518</b>	<b>987</b>	<b>941</b>

	5 Year CDS Mid Spread (bps)			
Name	Credit Suisse	Markit	Bloomberg	Moody's
<b>MGM Mirage</b>	<b>1103</b>	<b>518</b>	<b>987</b>	<b>941</b>

	5 Year CDS Mid Spread (bps)			
Name	Credit Suisse	Markit	Bloomberg	Moody's
<b>PolyOne Corp</b>	<b>702</b>	<b>507</b>	<b>629</b>	<b>662</b>

Name	5 Year CDS Mid Spread (bps)				iCDS
	Credit Suisse	Markit	Bloomberg	Moody's	
<b>MGM Mirage</b>	<b>1103</b>	<b>518</b>	<b>987</b>	<b>941</b>	<b>400</b>

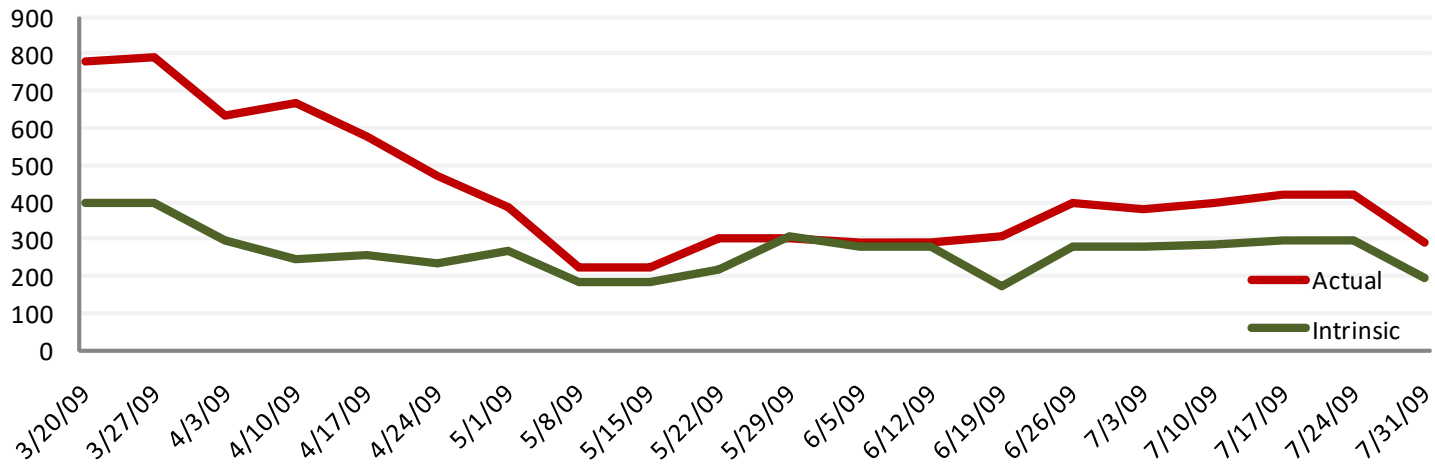
Name	5 Year CDS Mid Spread (bps)			
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Name	5 Year CDS Mid Spread (bps)				iCDS
	Credit Suisse	Markit	Bloomberg	Moody's	
<b>PolyOne Corp</b>	<b>702</b>	<b>507</b>	<b>629</b>	<b>662</b>	<b>388</b>

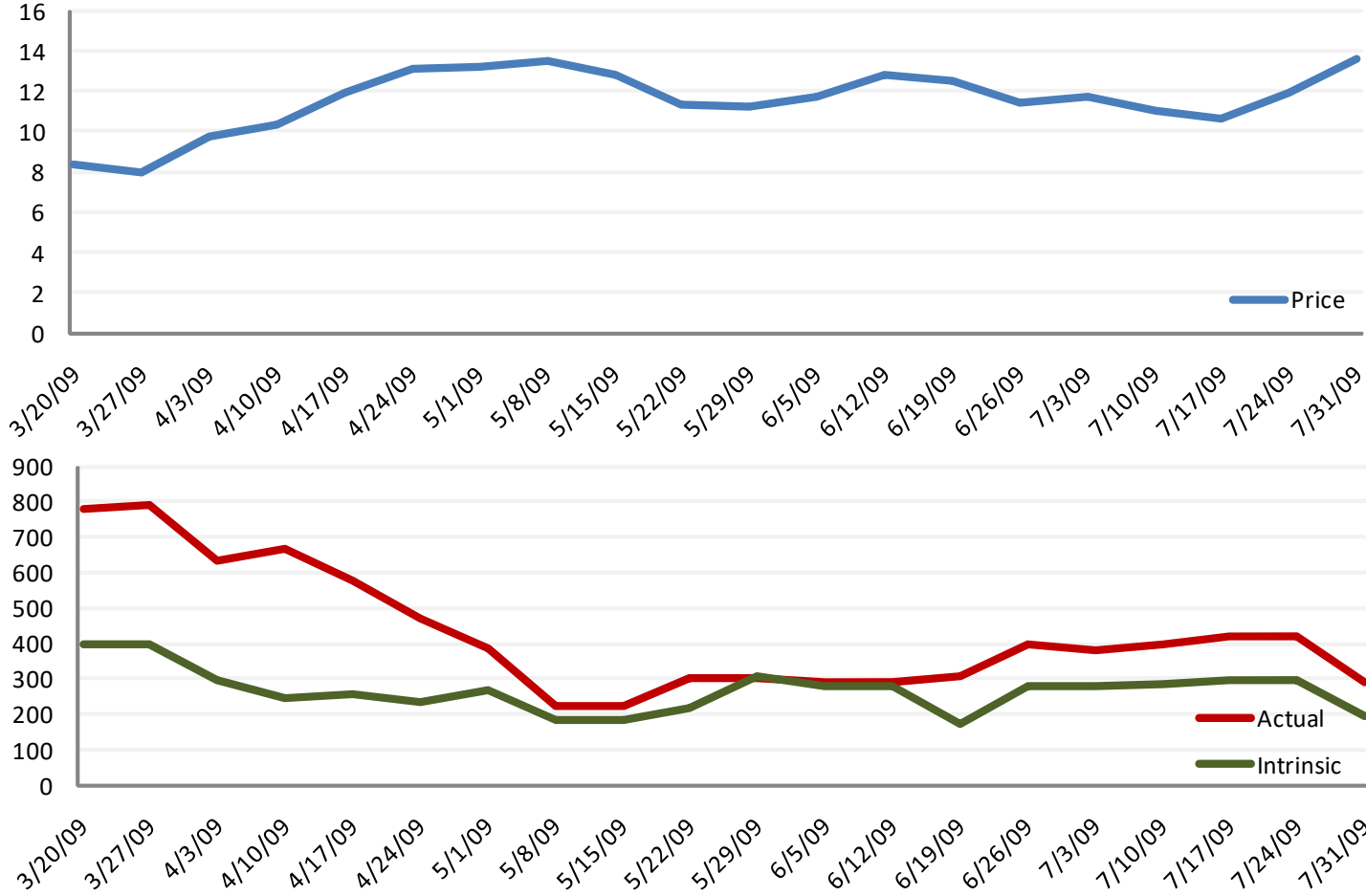


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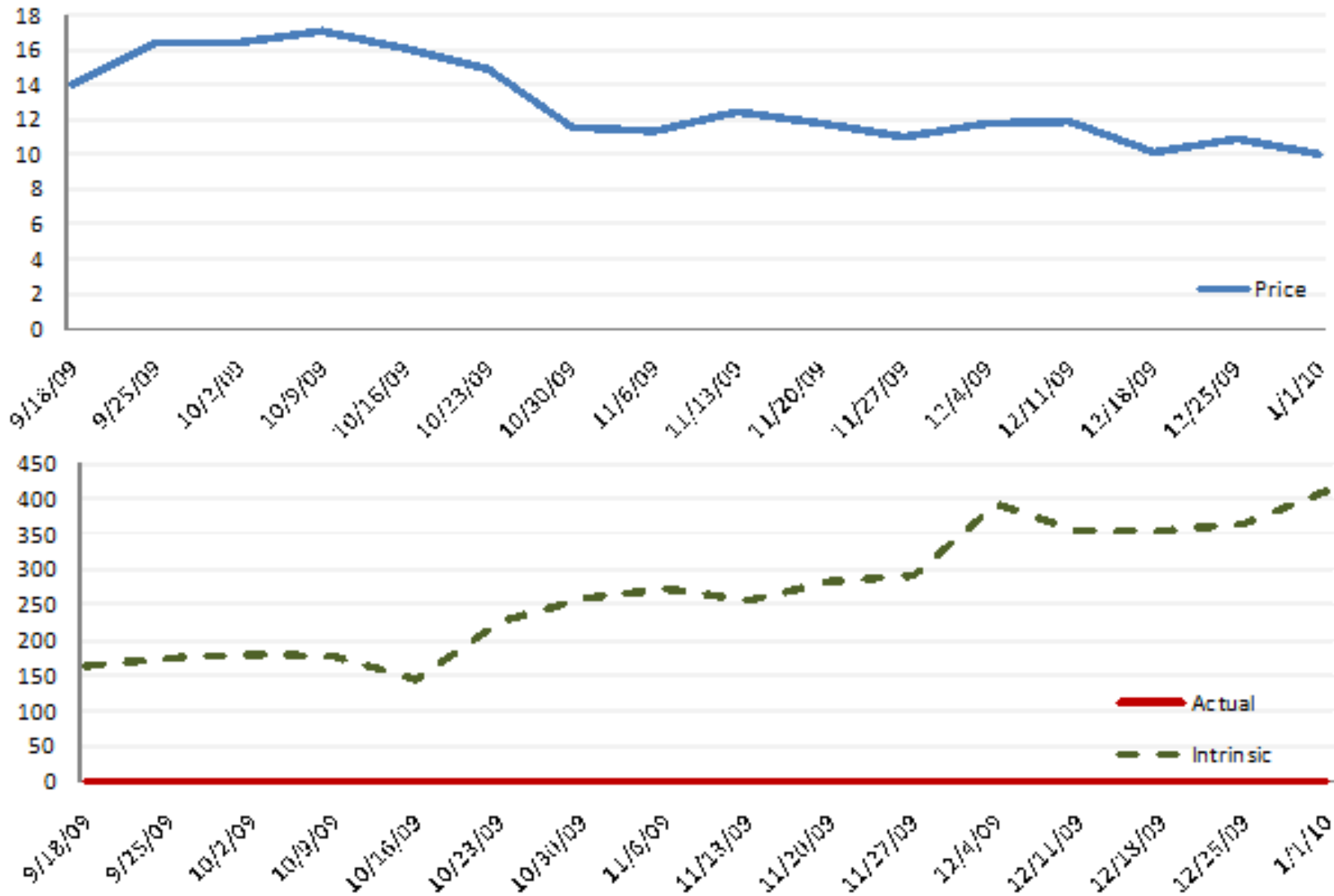
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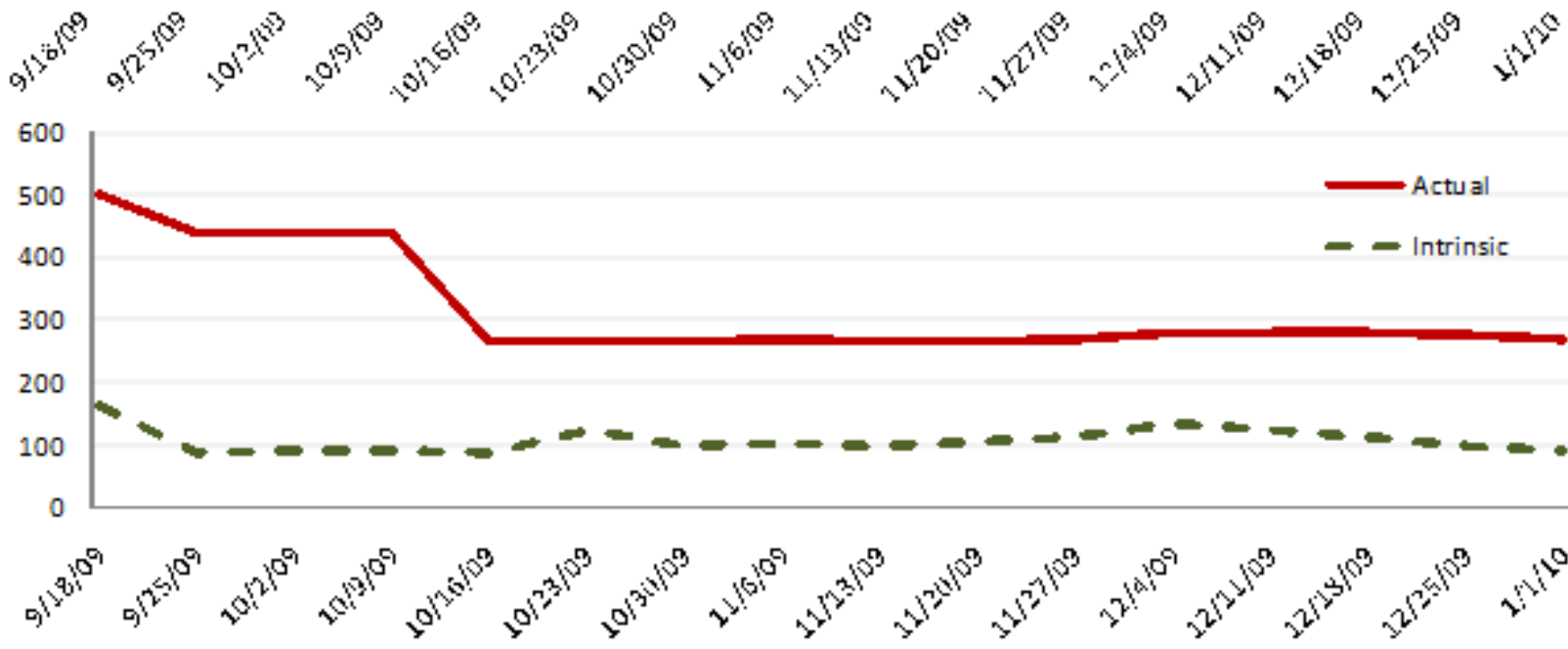
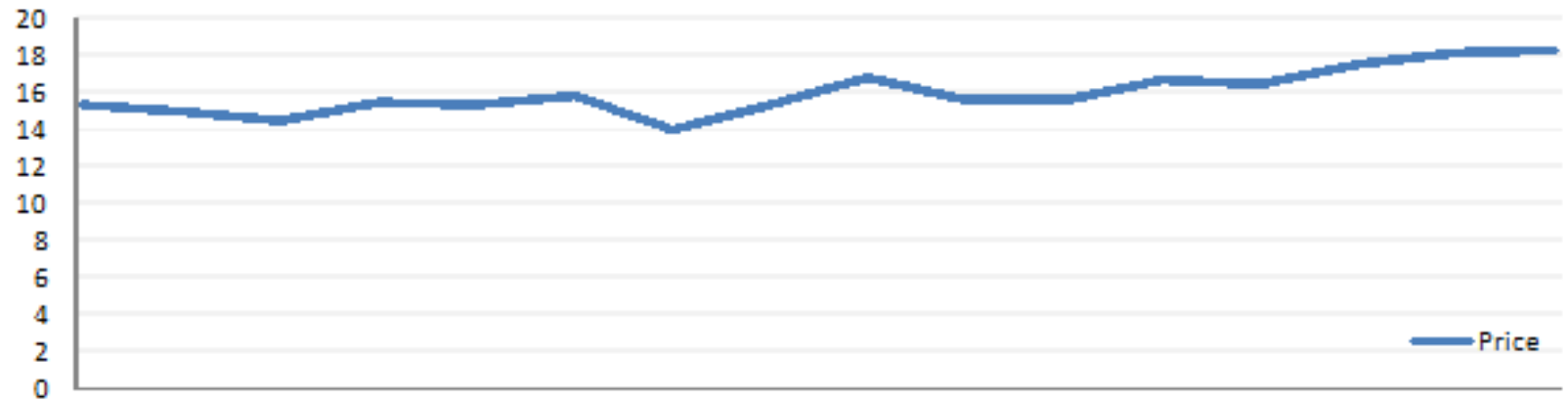


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# PALM



STX

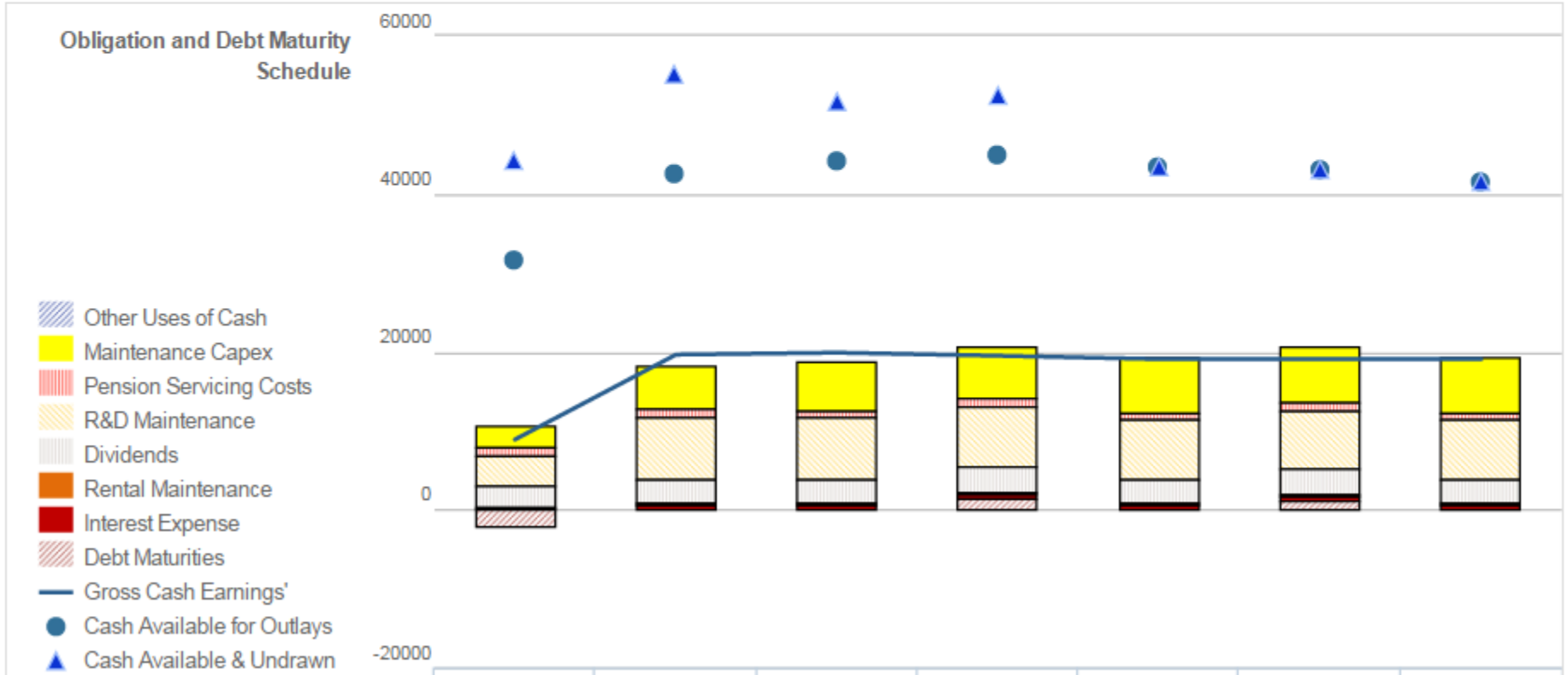


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Overview and Credit Reports	<b>Credit Cash Flow Prime™</b>	Equity Performance & Valuation Prime™	Incentives Dictate Behavior™	Earnings Call Forensics™	Valens vs. Traditional	Refinancing Environment
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Base Case Scenario | Negative Case Scenario

Data Date	08/05/15	2018 3.500% Bond at 101.84 Reference Bond						
iCDS	122	2.291%	Intrinsic YTW			Valens Credit Rating	IG3+ (A1)	
Actual CDS	150	2.851%	YTW	178	G-STW	Moody's Rating	Ba1	



"Financial statements [should] be prepared under the assumption that the users... understand not only the uses, but also the limitations, of GAAP"



Marty Whitman

“A lot of what Wall Street does has nothing to do with the underlying value of a business.”



Marty Whitman

NAV

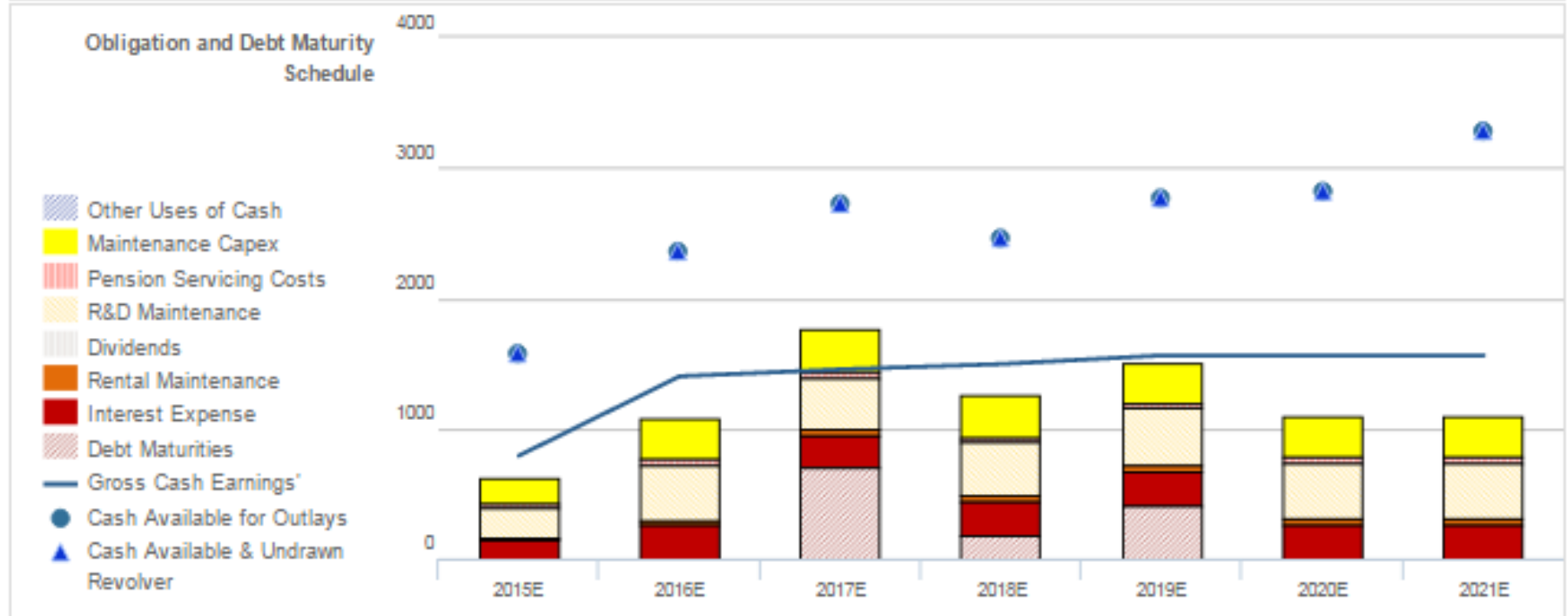
Navistar



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Base Case Scenario | Negative Case Scenario

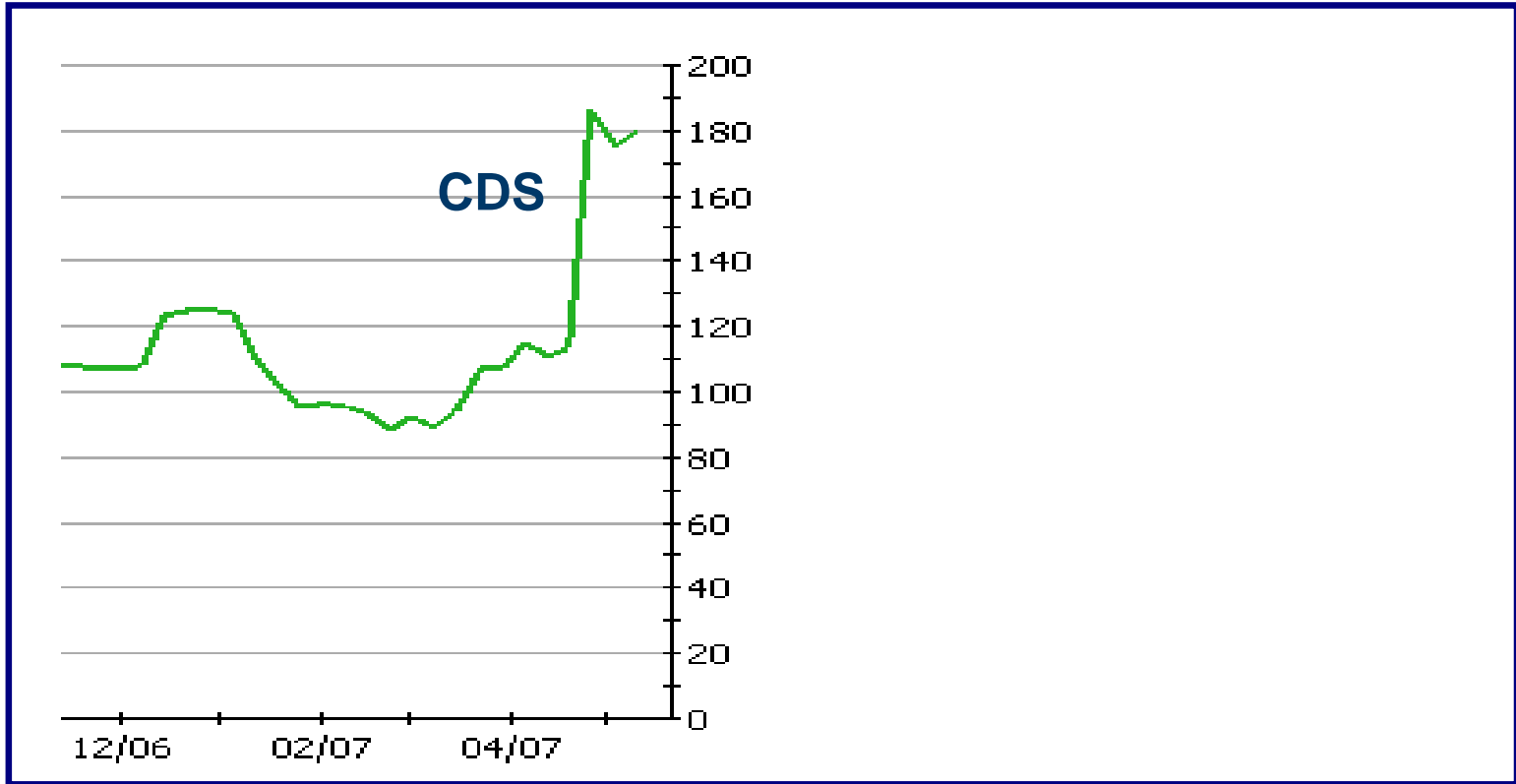
Data Date	07/15/15	2021 8.250% Bond at 95.00 Reference Bond					
iCDS	301	5.114%	Intrinsic YTW		Valens Credit Rating	IG4 (Baa2)	
Actual CDS	626	9.204%	YTW	710	G-STW	Moody's Rating	B3



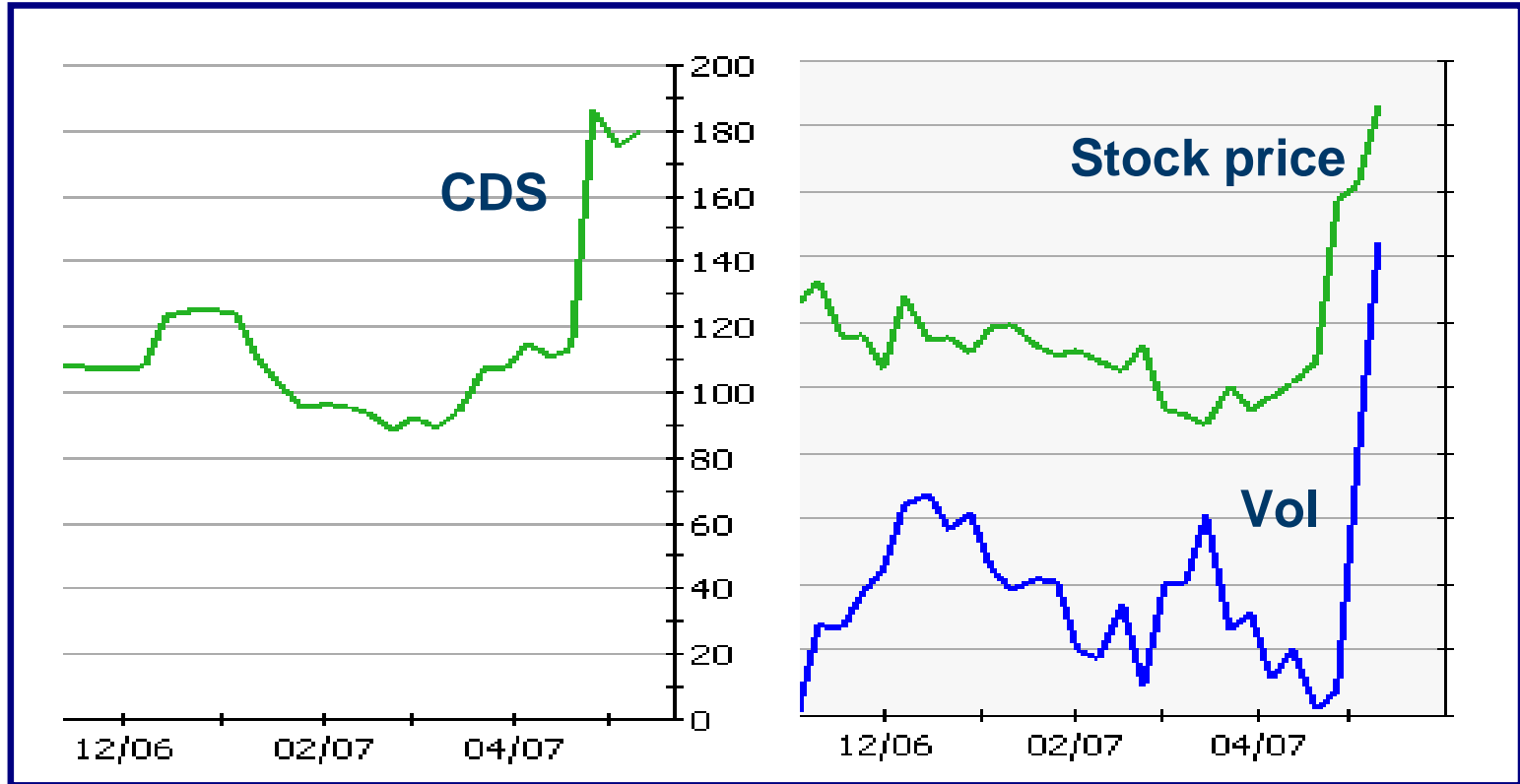
**WEN**

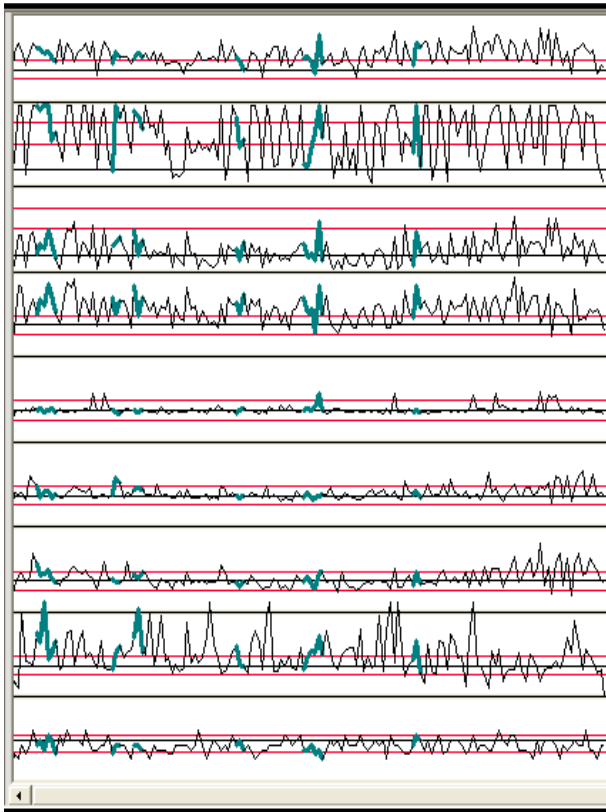
**Wendy's Restaurants**

WEN



WEN



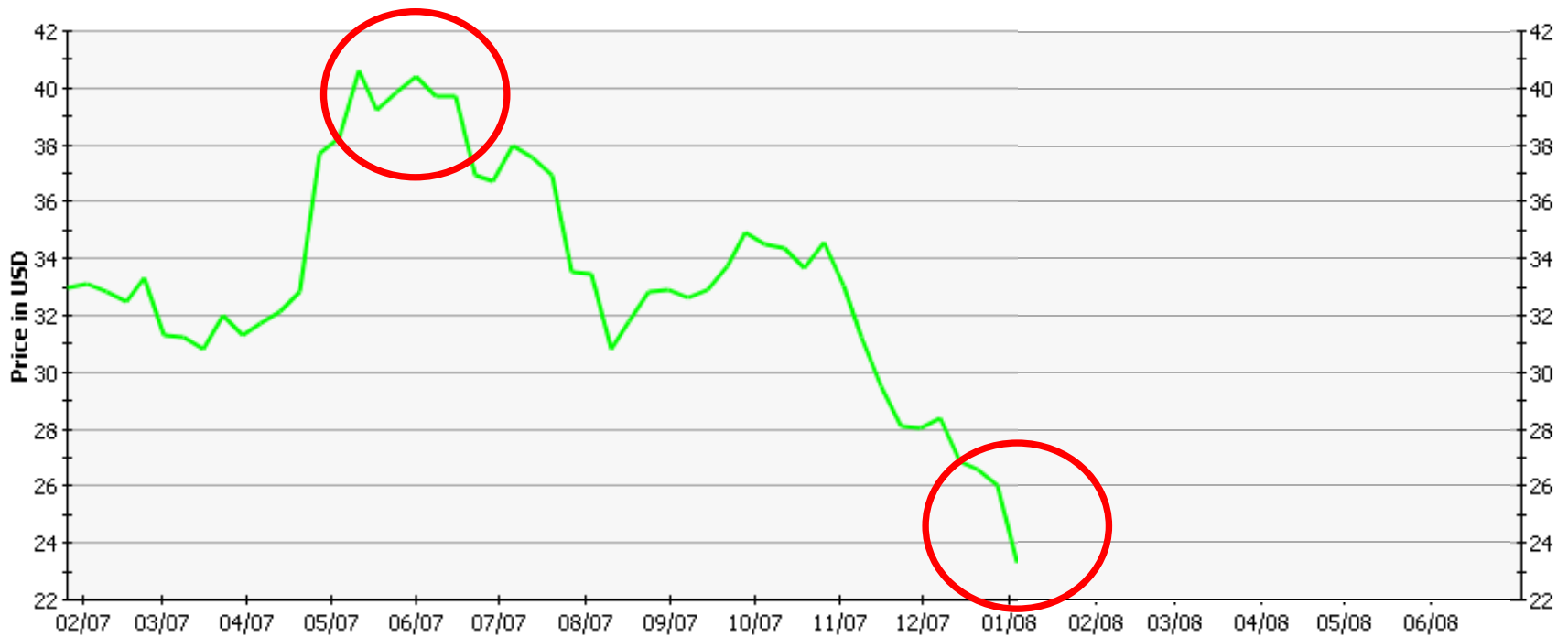


**IR, June 2007:**

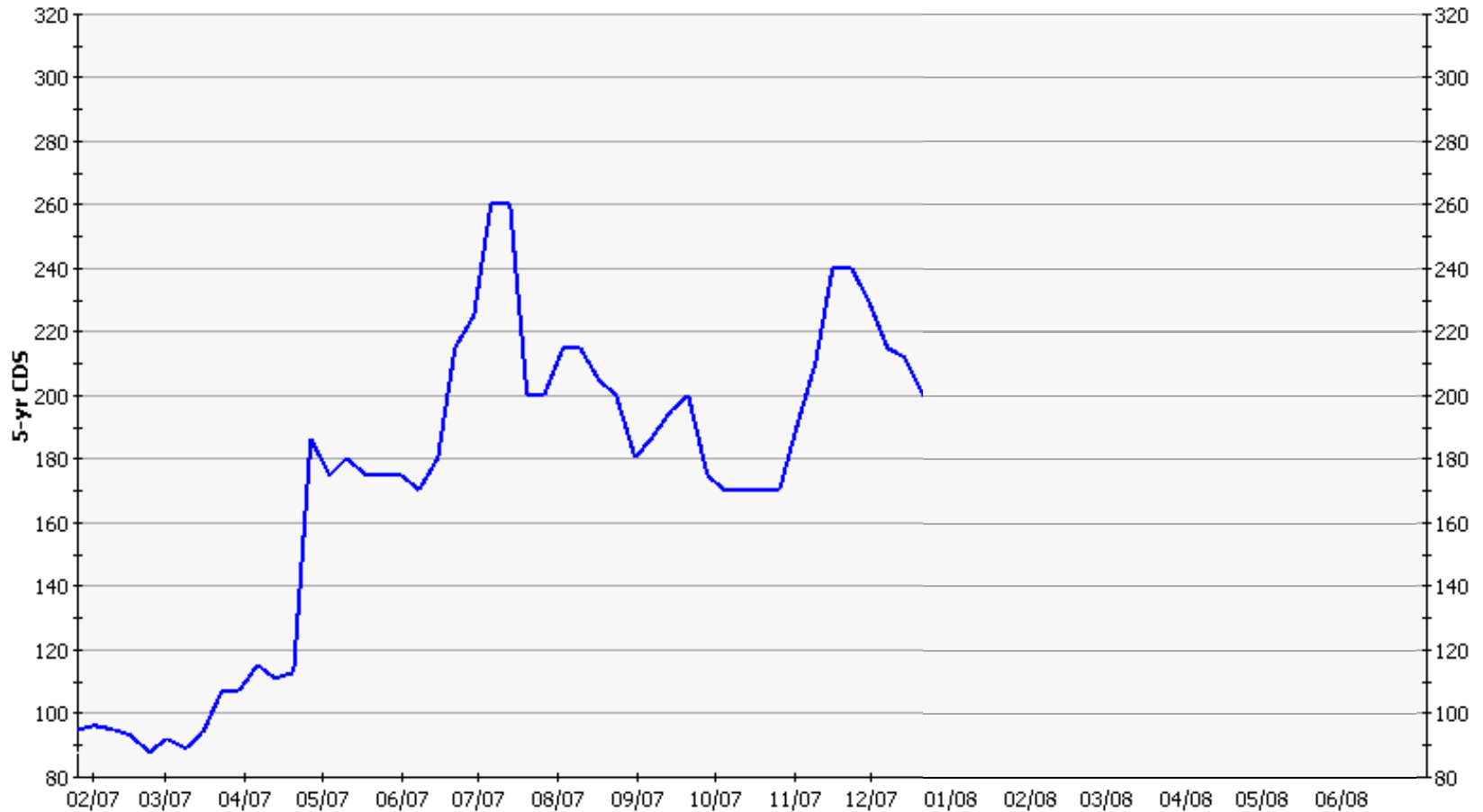
**Highly questionable:**

***“We have several strategic options.”***

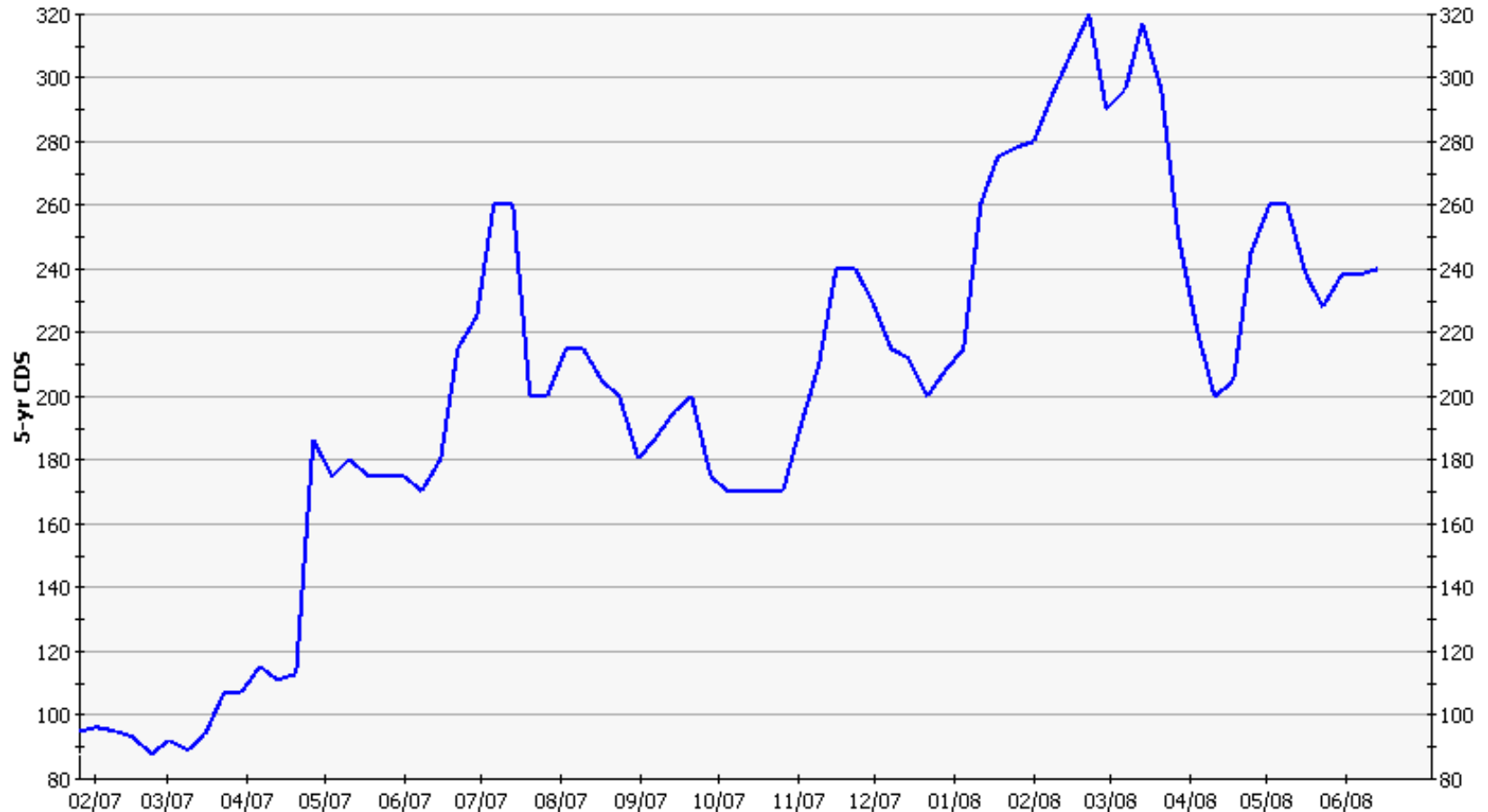
WEN: The buyout was too implausible. By Jan 2008...



# WEN CDS... CDS continued to show widening

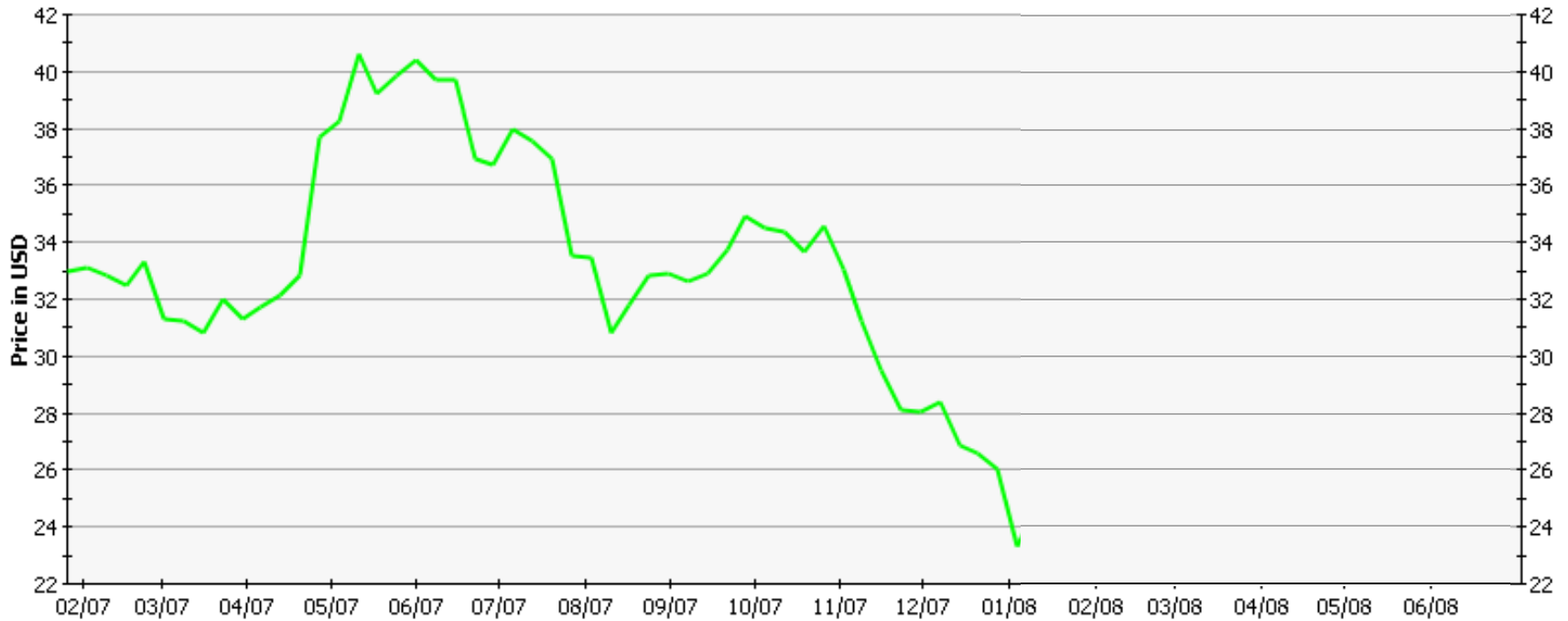


# WEN CDS... and began to jump again

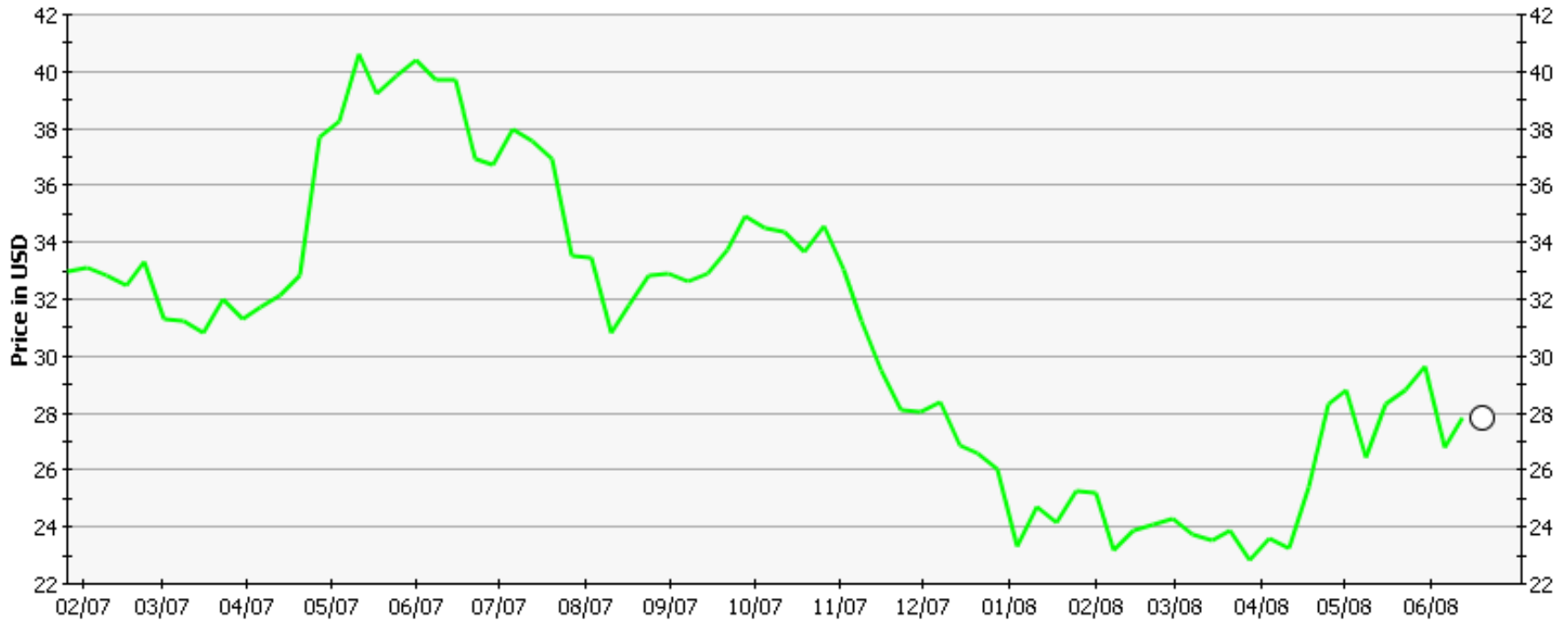




# WEN Another buyout opportunity?



# WEN stabilized and recovered to a \$28 buyout offer



“Without the firm handle on that flexibility that credit analysis provides,  
...we'd argue you can't fully understand the wealth-creation process as an equity investor.”



**Mitch Julis**  
Canyon Capital Advisors

Mitchell Julis  
Canyon Capital

## Moody's Credit Opinion

J.C. Penney Company, Inc. (NYSE:JCP)

Moody's Rating: Caa2 (HY3)

Retail [1][2]	Current 2/2/2013		Moody's 12-18 month Forward View	
	Measure	Score	Measure	Score
<b>Factor 1: Business and Cash Flow Volatility (10%)</b>				
a) Segment Vulnerability to Changes in Consumer Demand (n.b. - Product Type, Product Breadth, Stability of Concept)	x	B	x	B
<b>Factor 2: Market Presence (25%)</b>				
a) Scale (Revenue in USD Billion)	\$13.0	Baa	\$12.5-13	Baa
b) Market concentration and company's presence in that product category	x	Ba	x	Ba
c) Company Geographic Presence	x	Ba	x	Ba
<b>Factor 3: Execution Ability (15%)</b>				
a) Quality of Execution	x	B	x	B
b) Efficiency: EBIT / Avg. Book Capitalization (net of cash)	-6.7%	Ca	-2.0-+2.0%	Ca
<b>Factor 4: Key Indicator Ratios (50%)</b>				
a) Debt / EBITDA	38.9x	Ca	10-12x	Ca
b) RCF / Net Debt	-13.7%	Ca	0-5%	Caa
c) EBITA / Interest Expense	-1.7x	Ca	-0.25-+0.25x	Ca
<b>Rating:</b>				
a) Indicated Rating from Grid	Caa1		B3	
b) Actual Rating Assigned	Caa1		Caa1	

Source: Credit Opinion, Moody's Investors Service, May 15, 2013

# Valens Credit

J.C. Penney Company, Inc. (NYSE:JCP)

Moody's Rating: Caa2 (HY3)

Valens Credit Rating: IG4 (Baa2)

Data date: 12/13/2013












iCDS  
Actual CDS

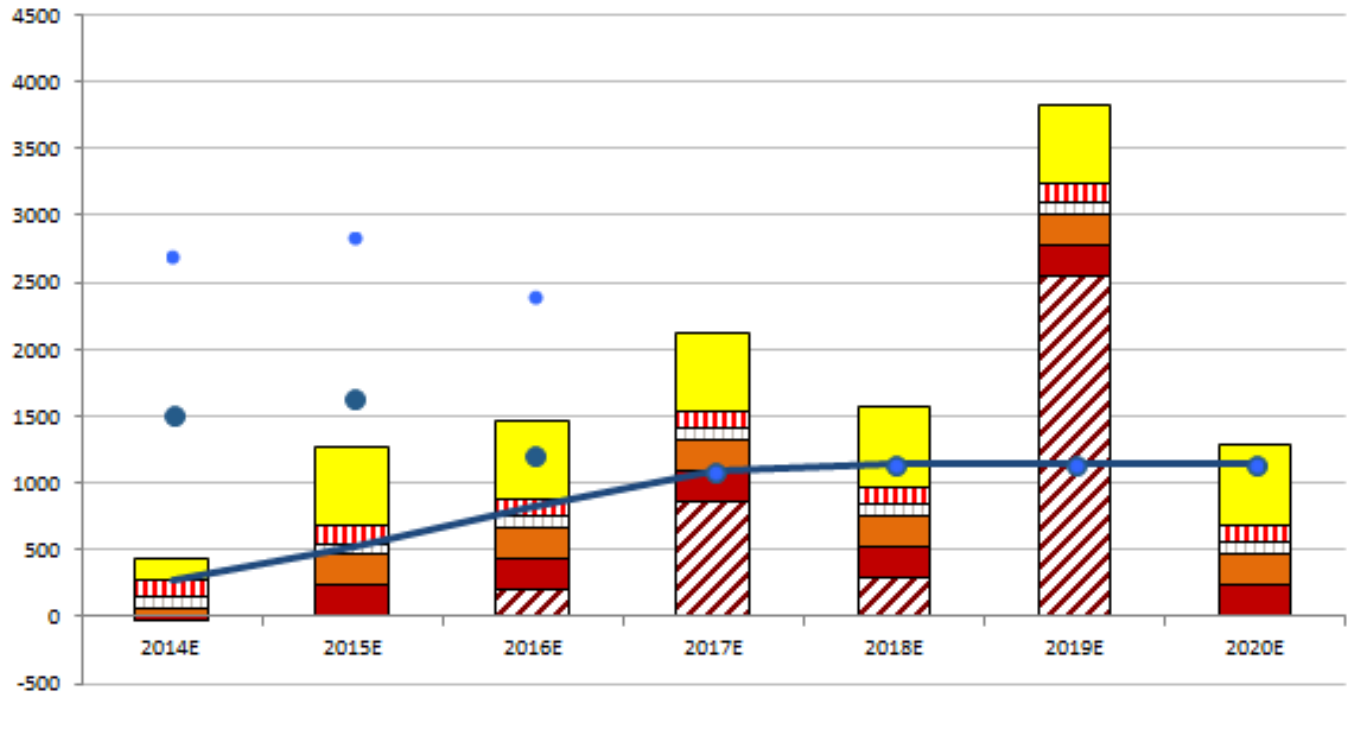
304  
1241

297 **Credit Facility iCDS**  
1026 STW of 2018 5.75% Bonds at 81.50

**Valens Credit Rating** IG4 (Baa2)  
**Moody's Rating** Caa2 (HY3)

## Obligation & Debt Maturity Schedule

-  Other Uses of Cash
-  Maintenance Capex
-  Pension Servicing Costs
-  R&D Maintenance
-  Dividends
-  Rental Maintenance
-  Interest Expense
-  Debt Maturities
-  Gross Cash Earnings'
-  Cash Available for Outlays
-  Cash Available & Undrawn Revolver



Source: Valens Credit

# Valens Credit

J.C. Penney Company, Inc. (NYSE:JCP)

Moody's Rating: Caa2 (HY3)

Valens Credit Rating: IG4 (Baa2)












iCDS  
Actual CDS

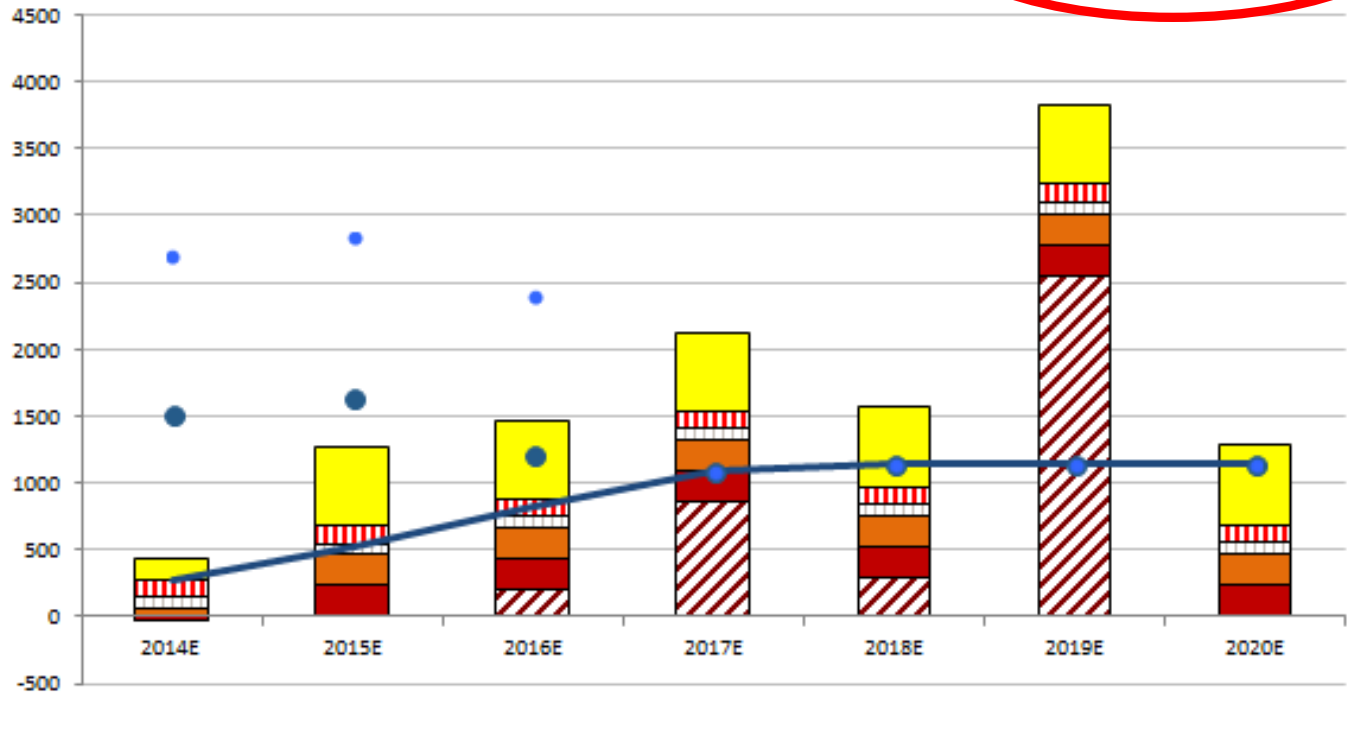
304  
1241

297 **Credit Facility iCDS**  
1026 STW of 2018 5.75% Bonds at 81.50

Data date: 12/13/2013  
**Valens Credit Rating** IG4 (Baa2)  
**Moody's Rating** Caa2 (HY3)

## Obligation & Debt Maturity Schedule

-  Other Uses of Cash
-  Maintenance Capex
-  Pension Servicing Costs
-  R&D Maintenance
-  Dividends
-  Rental Maintenance
-  Interest Expense
-  Debt Maturities
-  Gross Cash Earnings'
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-  Cash Available & Undrawn Revolver



Source: Valens Credit

# Valens Credit

J.C. Penney Company, Inc. (NYSE:JCP)

Moody's Rating: Caa2 (HY3)

Valens Credit Rating: IG4 (Baa2)

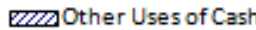
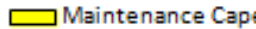
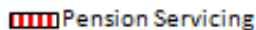
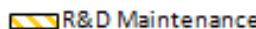
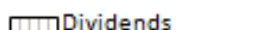
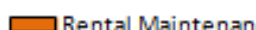
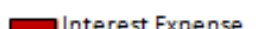
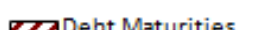
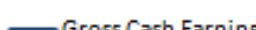
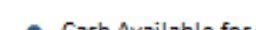
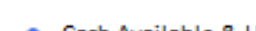
**iCDS** 304  
**Actual CDS** 1241

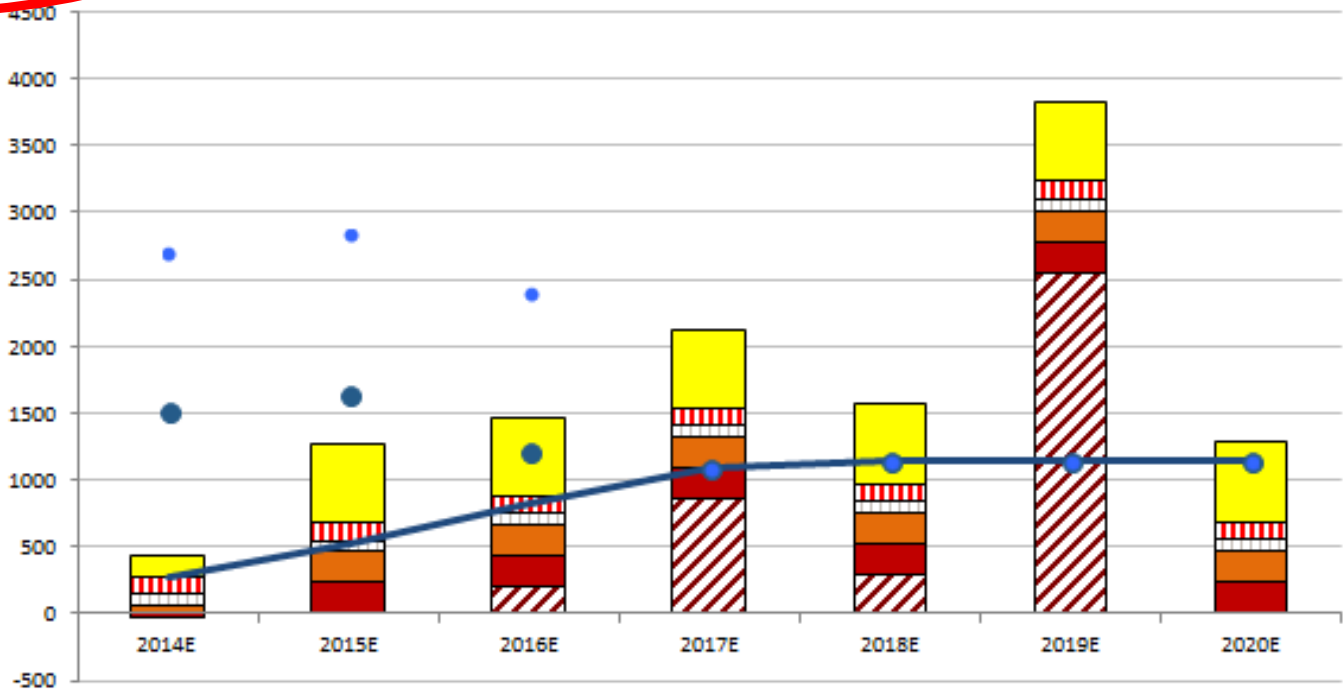
297 **Credit Facility iCDS**  
 1026 STW of 2018 5.75% Bonds at 81.50

Data date: 12/13/2013  
**Valens Credit Rating** IG4 (Baa2)  
**Moody's Rating** Caa2 (HY3)

## Obligation & Debt

### Maturity Schedule

-  Other Uses of Cash
-  Maintenance Capex
-  Pension Servicing Costs
-  R&D Maintenance
-  Dividends
-  Rental Maintenance
-  Interest Expense
-  Debt Maturities
-  Gross Cash Earnings'
-  Cash Available for Outlays
-  Cash Available & Undrawn Revolver



Source: Valens Credit

SD

Sandridge



# SD - Trade Idea as of January 2015

SD – Long 2020 and 2023 bonds; low equity valuations driven by distressed pricing in the credit markets; substantial equity upside likely if perceived default risk decreases

According to Moody's Global E&P Industry Methodology, SandRidge maps to a B2 rating level. Reserves and production metrics imply a Ba rating, while leverage and cash flow coverage metrics imply a Caa rating.

## Rating Factors

SandRidge Energy, Inc.

Independent Exploration & Production Industry Grid [1][2]	Current LTM 6/30/2014		[3]Moody's 12-18 Month Forward ViewAs of 9/26/2014	
<b>Factor 1: Reserves &amp; Production Characteristics (40.0%)</b>	<b>Measure</b>	<b>Score</b>	<b>Measure</b>	<b>Score</b>
a) Avg Daily Production (Mboe/d)	78.6	Ba	68 - 72	Ba
b) Proved Developed Reserves (Million boe)	251.9	Ba	240 - 260	Ba
c) Total Proved Reserves (Million boe)	403.5	Ba	400 - 425	Ba
<b>Factor 2: Operating &amp; Capital Efficiency (20.0%)</b>				
a) Leverage Full-Cycle Ratio	0.0x	Ca	1.2x - 1.5x	B
<b>Factor 3: Leverage and Cash Flow Coverage (40.0%)</b>				
a) E&P Debt / Average Daily Production	\$40,981.6	Ca	\$44000 - \$48000	Ca
b) E&P Debt / PD boe Reserves	\$12.8	Caa	\$13 - \$14	Caa
c) RCF / Total Debt	16.9%	Caa	10% - 15%	Caa
d) EBITDA / Interest Expense	3.9x	B	3x - 3.5x	B
<b>Factor 4: Production Mix Overlay (Composite Score Adjustment)</b>				
a) E&P Unleveraged Cash Margin / BOE	\$10.1	Caa	\$30 - \$32	Baa
<b>Rating:</b>				
Indicated Rating from Grid Factors 1-3		B3		B2
Unleveraged Cash Margin: Composite Score Adjustment	-0.2	-0.2	0.4	0.4
a) Indicated Rating from Grid		B3		B2
b) Actual Rating Assigned				B1

According to Moody's Global E&P Industry Methodology, SandRidge maps to a B2 rating level. Reserves and production metrics imply a Ba rating, while leverage and cash flow coverage metrics imply a Caa rating.

## Rating Factors

SandRidge Energy, Inc.

Independent Exploration & Production Industry Grid [1][2]	Current LTM 6/30/2014		[3]Moody's 12-18 Month Forward ViewAs of 9/26/2014	
<b>Factor 1: Reserves &amp; Production Characteristics (40.0%)</b>	<b>Measure</b>	<b>Score</b>	<b>Measure</b>	<b>Score</b>
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<b>Factor 2: Operating &amp; Capital Efficiency (20.0%)</b>				
a) Leverage Full-Cycle Ratio	0.0x	Ca	1.2x - 1.5x	B
<b>Factor 3: Leverage and Cash Flow Coverage (40.0%)</b>				
a) E&P Debt / Average Daily Production	\$40,981.6	Ca	\$44000 - \$48000	Ca
b) E&P Debt / PD boe Reserves	\$12.8	Caa	\$13 - \$14	Caa
c) RCF / Total Debt	16.9%	Caa	10% - 15%	Caa
d) EBITDA / Interest Expense	3.9x	B	3x - 3.5x	B
<b>Factor 4: Production Mix Overlay (Composite Score Adjustment)</b>				
a) E&P Unleveraged Cash Margin / BOE	\$10.1	Caa	\$30 - \$32	Baa
<b>Rating:</b>				
Indicated Rating from Grid Factors 1-3		B3		B2
Unleveraged Cash Margin: Composite Score Adjustment	-0.2	-0.2	0.4	0.4
a) Indicated Rating from Grid		B3		B2
b) Actual Rating Assigned				B1

<b>Factor 3: Leverage and Cash Flow Coverage (40.0%)</b>		
a) E&P Debt / Average Daily Production	\$40,981.6	Ca
b) E&P Debt / PD boe Reserves	\$12.8	Caa
c) RCF / Total Debt	16.9%	Caa
d) EBITDA / Interest Expense	3.9x	B

# GAAP and Ratio Distortion Examples at SD

- Cash Flow From Operations: \$669MM
- Adjusted Cash From Ops: \$813MM
  
- Moody's: RCF/Debt: 16.9%
- Debt to Avg Daily Production: \$40,900
  
- Debt due in in the next 5 years \_\_\_\_\_

# GAAP and Ratio Distortion Examples at SD

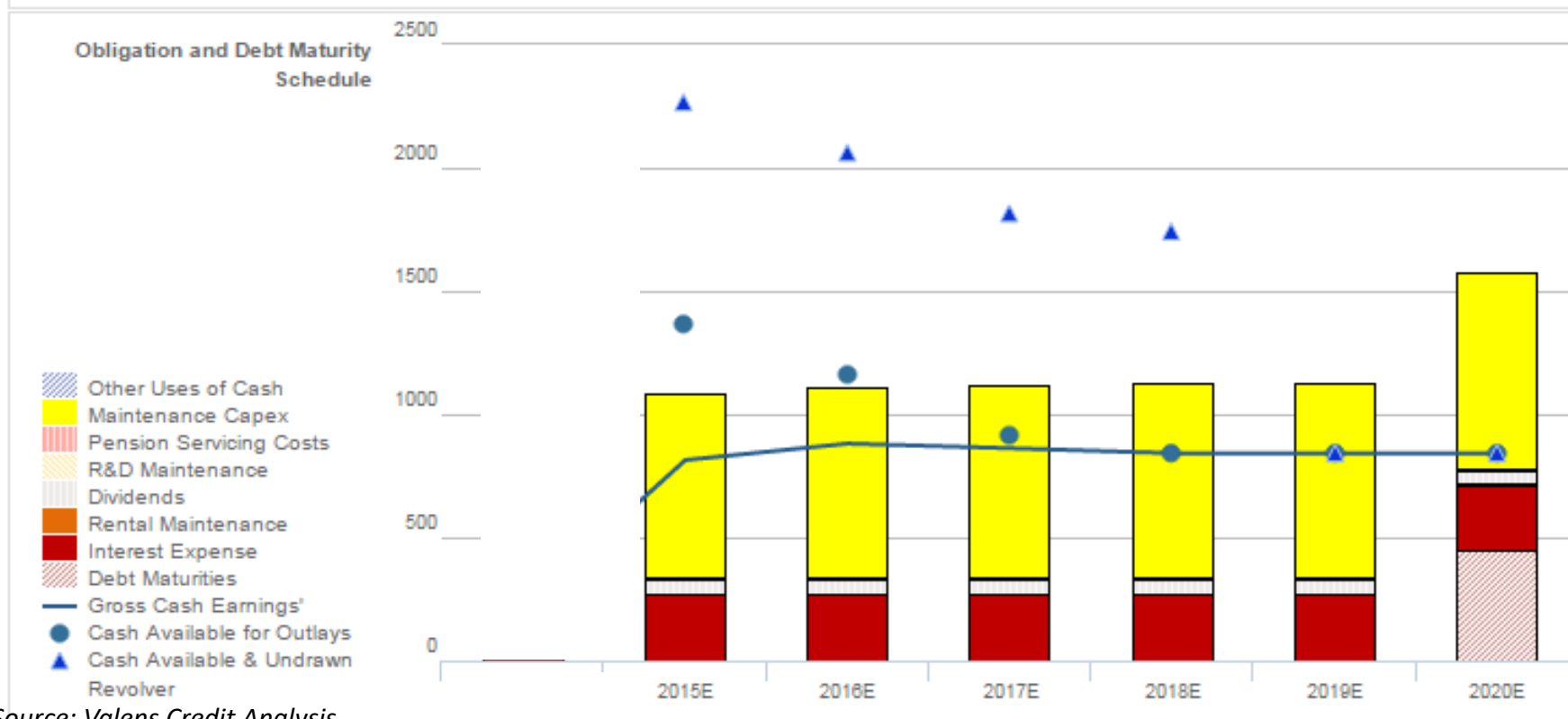
- **Cash Flow From Operations:** **\$669MM**
- **Adjusted Cash From Ops:** **\$813MM**
  
- **Moody's: RCF/Debt:** **16.9%**
- **Debt to Avg Daily Production:** **\$40,900**
  
- **Debt due in in the next 5 years** **Zero**

# SandRidge Energy Inc., SD

Overview and Credit Reports	<b>Credit Cash Flow Prime™</b>	Equity Performance & Valuation Prime™	Incentives Dictate Behavior™	Management Representation Benchmarking™	Valens vs. Traditional	Refinancing Environment
-----------------------------	--------------------------------	---------------------------------------	------------------------------	---	------------------------	-------------------------

## Base Case Scenario | Negative Case Scenario

Data Date	01/09/15	2020 8.750% Bond at 58.38 Reference Bond				
iCDS	990	11.330%	Intrinsic YTW		Valens Credit Rating	HY1- (Ba1)
Actual CDS	N/A	18.780%	YTW	1733	G-STW	Moody's Rating B1 (HY2+)



Source: Valens Credit Analysis

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# NAV

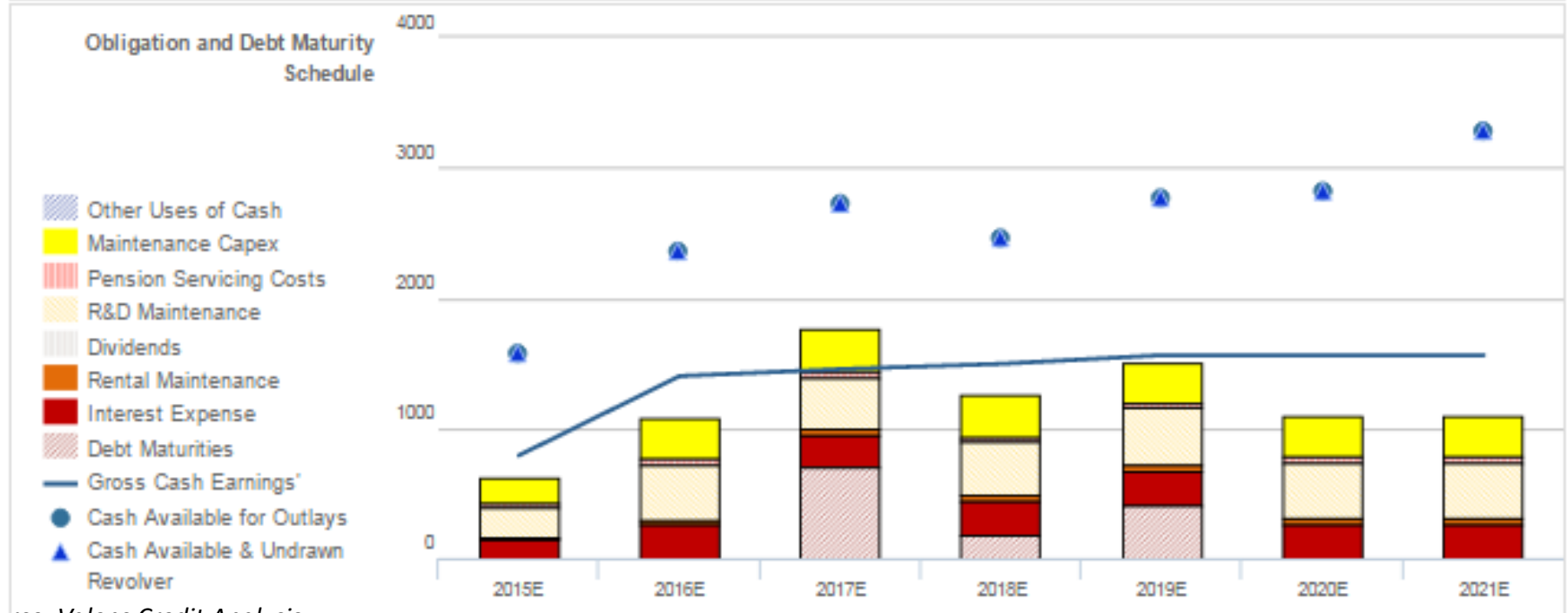
- **Book Debt of \$5.2bn vs Adjusted Debt of \$2.9bn**
- **Cap leases of \$188mn vs. Adjusted Cap leases of \$628mn**
- **Depreciation of \$188mn versus Adjusted Depreciation of \$307mn**
- **Cash Flow From Operations of -\$336mn versus Adjusted CFFO of \$461mn**



Overview and Credit Reports	<b>Credit Cash Flow Prime™</b>	Equity Performance & Valuation Prime™	Incentives Dictate Behavior™	Earnings Call Forensics™	Valens vs. Traditional	Refinancing Environment
-----------------------------	--------------------------------	---------------------------------------	------------------------------	--------------------------	------------------------	-------------------------

Base Case Scenario | Negative Case Scenario

Data Date	07/15/15	2021 8.250% Bond at 95.00 Reference Bond					
iCDS	301	5.114%	Intrinsic YTW		Valens Credit Rating	IG4 (Baa2)	
Actual CDS	626	9.204%	YTW	710	G-STW	Moody's Rating	B3



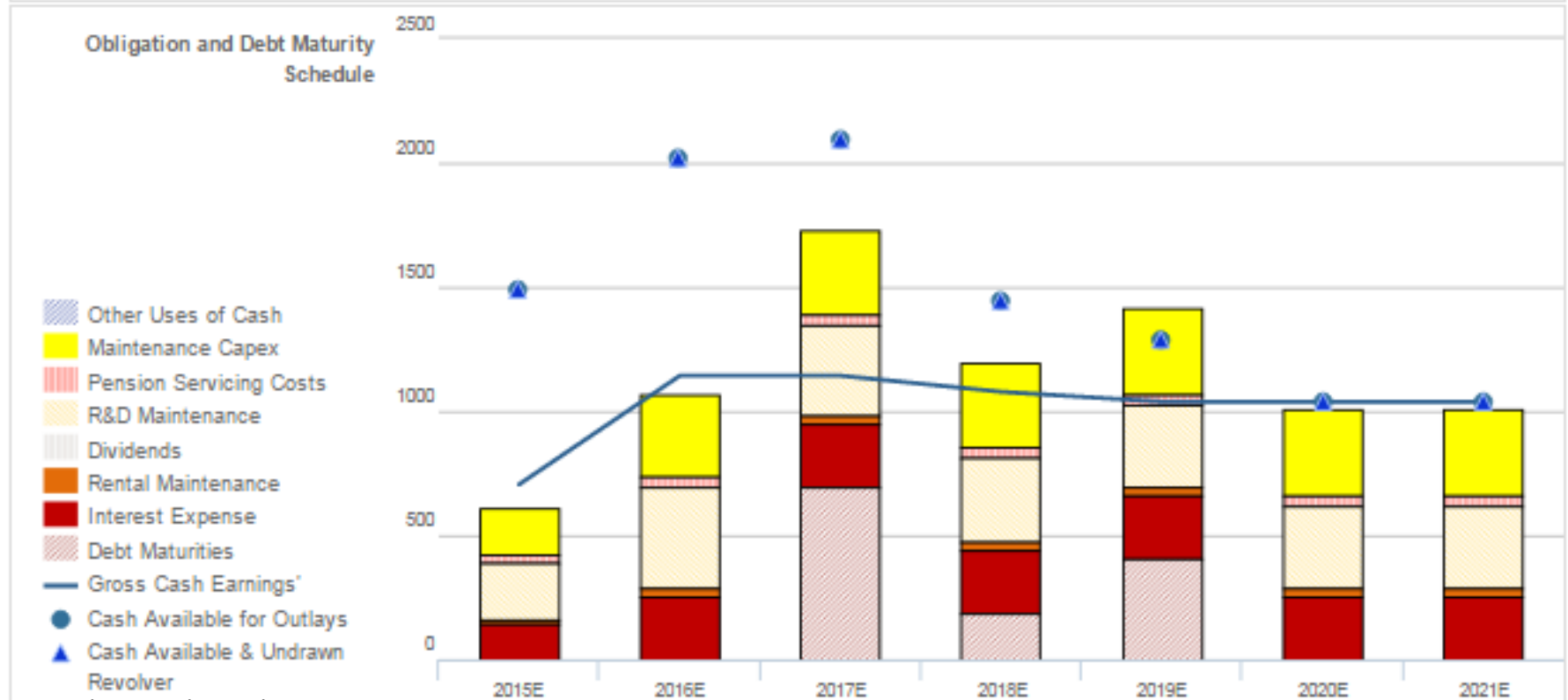
Source: Valens Credit Analysis

# Navistar International Corporation, NAV

Overview and Credit Reports	<b>Credit Cash Flow Prime™</b>	Equity Performance & Valuation Prime™	Incentives Dictate Behavior™	Earnings Call Forensics™	Valens vs. Traditional	Refinancing Environment
-----------------------------	--------------------------------	---------------------------------------	------------------------------	--------------------------	------------------------	-------------------------

## Base Case Scenario | Negative Case Scenario

Data Date	07/15/15	2021 8.250% Bond at 95.00 Reference Bond					
iCDS	494	7.093%	Intrinsic YTW			Valens Credit Rating	IG4 (Baa2)
Actual CDS	626	9.313%	YTW	716	G-STW	Moody's Rating	B3



Source: Valens Credit Analysis

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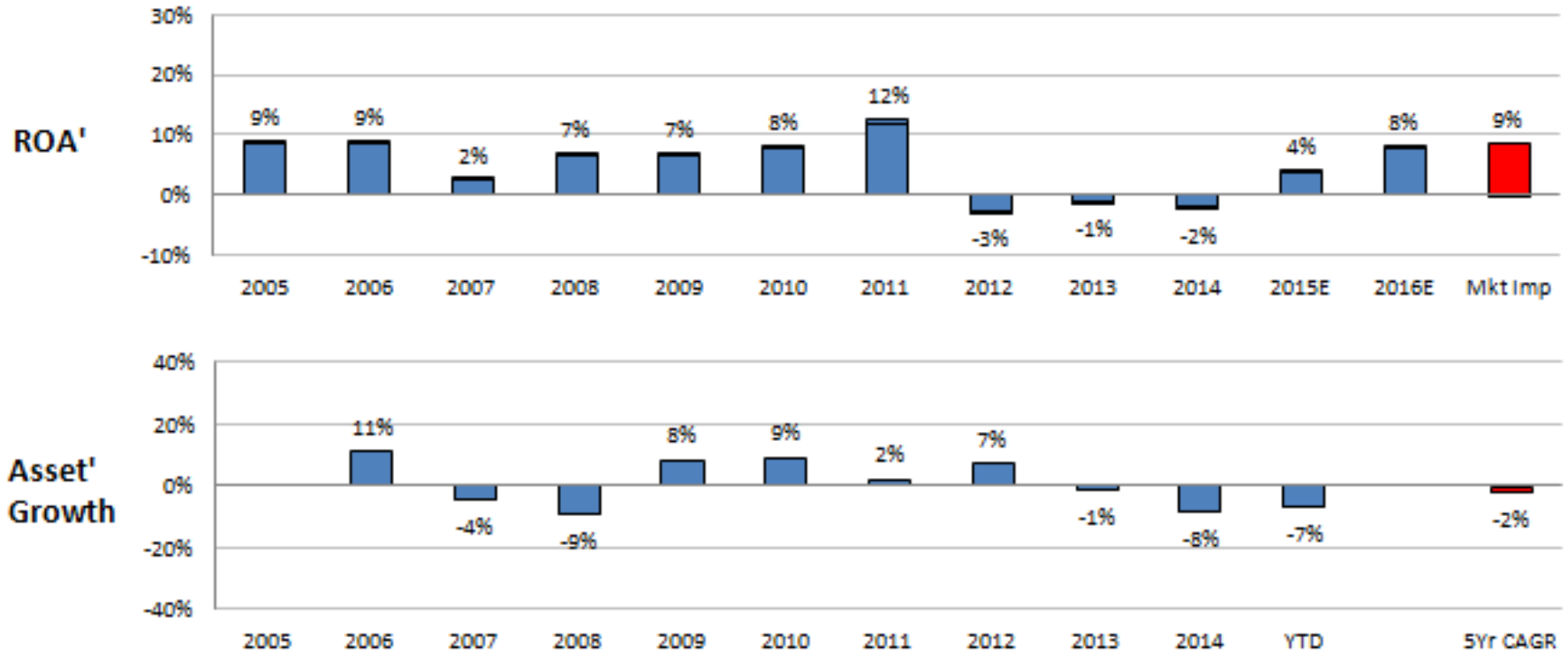
# Navistar International Corporation (NYSE:NAV)

Stock Price USD 19.67 - Market Cap 1.6B

Data Date - 7/15/2015

Industrials - Construction Machinery and Heavy Trucks

Fiscal Year - 10/31/2014 - Current Quarter - Q22015



## Incentives Dictate Behavior

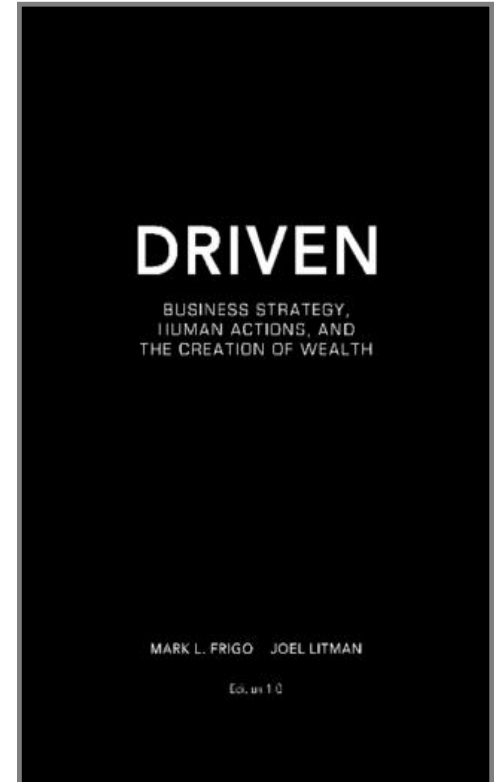
NAV: A compensation framework for debt holders.

Promotes focus on Operating Cash Flow for asset utilization.

Promotes EBITDA and Market Share for revenue growth and margin expansion

Promotes Total Manufacturing Cash for liquidity

Most are well compensated in a change in control, with 2.7x to 4.2x their average annual compensation as severance



# EARNINGS CALL FORENSICS



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“It is not what you say that matters  
but the manner in which you say it;  
there lies the secret of the ages.”

- William Carlos Williams

President of Operations Lisboa generated a **highly confident** marker when saying they believe that all the improvement they have made in working capital for 2014 going forward, the material flow, the ability to deploy Lean principles in all their facilities is much better suited right now after the agreement with the unions.

Additionally, he generated a **highly confident** marker about the level of profitability they saw for their Global Operations segment in H1 2015.

CEO Clarke generated a **highly confident** marker when saying they really feel good about the culmination of a lot of hard work by their manufacturing and operations folks.



- NAV (specifically the 2021 8.250% Bonds)
- AMD (specifically the 2020 7.75% Bonds)
- AVP (all the bonds, including the 2018 4.2% Bonds)
- GM (specifically the 2023 4.875% Bonds)
- SD (specifically the 2020 8.750% Unsecured and 8.750% 2<sup>nd</sup> Lien Bonds)
- X (all the bonds, specifically the 2017 6.050% Bonds)



332.6  
m81

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MOODY'S MANUAL  
OF INDUSTRIAL AND  
MISCELLANEOUS  
SECURITIES

FIRST ANNUAL  
NUMBER

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JOHN MOODY  
EDITOR

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John Moody

*"If the rating agencies will downgrade only when we can all see the losses, then why do we need the rating agencies?"*

- Jim Chanos, the head of Kynikos Associates

*"...the ratings that were developed by the credit rating agencies were a major factor in the cause of the problems..."*

- Federal Reserve Chairman Alan Greenspan re: the 2007-2009 crisis

*"The ratings agencies, basically, without looking at the underlying bond, they just pretty much gave almost everything that came out AAA ratings,"*

- Smith, West Virginia Labourers Trust Fund, \$300 million pension fund

## Moody's Credit Opinion – December 9, 2013

Delta Air Lines Inc.

Moody's Rating: B2 (HY2)

Valens Credit Rating: XO (Baa3)

Passenger Airlines Industry [1][2]	Current LTM 9/30/2013		[3]Moody's 12-18 month Forward View - as of 12/2013	
	Measure	Score	Measure	Score
<b>Factor 1: Cost Structure (16%)</b>				
a) Fleet Age (average in years)	Caa	Caa	Caa	Caa
b) EBITDA Margin	17.5%	B	17.5% - 18.5%	B
<b>Factor 2: Market Conditions (28%)</b>				
a) Business Profile	Ba	Ba	Ba	Ba
b) Geographic Diversity	Ba	Ba	Ba	Ba
<b>Factor 3: Coverage and Leverage (36%)</b>				
a) EBIT/Interest	2.0x	B	2.2x - 2.4x	Ba
b) RCF/Net Debt	14.4%	B	16.0% - 18.0%	Ba
c) Debt/EBITDA	5.2x	Ba	4.6x - 4.9x	Ba
<b>Factor 4: Financial Policy (20%)</b>				
a) Financial Policy	Ba	Ba	Ba	Ba
<b>Rating:</b>				
a) Indicated Rating from Grid		Ba3		Ba3
b) Actual Rating Assigned		B1		

## Rating Factors

Delta Air Lines, Inc.

Passenger Airlines Industry Grid [1][2]	Current LTM 3/31/2014		[3]Moody's 12-18 Month Forward ViewAs of 7/2/2014	
<b>Factor 1: Cost Structure (16%)</b>	<b>Measure</b>	<b>Score</b>	<b>Measure</b>	<b>Score</b>
a) Fleet Age (average in years)	Caa	Caa	Caa	Caa
b) EBITDA Margin	18.7%	B	18% - 20%	B
<b>Factor 2: Market Conditions (28%)</b>				
a) Business Profile	Ba	Ba	Ba	Ba
b) Geographic Diversity	Ba	Ba	Ba	Ba
<b>Factor 3: Coverage and Leverage (36%)</b>				
a) EBIT/Interest	2.5x	Ba	2.8x - 3.1x	Ba
b) RCF/Net Debt	15.0%	Ba	22% - 24%	Ba
c) Debt/EBITDA	4.2x	Ba	3.5x - 3.8x	Baa
<b>Factor 4: Financial Policy (20%)</b>				
a) Financial Policy	Ba	Ba	Ba	Ba
<b>Rating:</b>				
a) Indicated Rating from Grid		Ba3		Ba2
b) Actual Rating Assigned				Ba3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 3/31/2014(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

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## Rating Factors

Delta Air Lines, Inc.

Passenger Airlines Industry Grid [1][2]	Current LTM 3/31/2014	
Factor 1: Cost Structure (16%)	Measure	Score
a) Fleet Age (average in years)	Caa	Caa
b) EBITDA Margin	18.7%	B

[3]Moody's 12-18 Month Forward ViewAs of 7/2/2014	
Measure	Score
Caa	Caa
18% - 20%	B

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 3/31/2014(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

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## Rating Factors

Delta Air Lines, Inc.

Passenger Airlines Industry Grid [1][2]	Current LTM 3/31/2014	
<b>Factor 1: Cost Structure (16%)</b>	<b>Measure</b>	<b>Score</b>
a) Fleet Age (average in years)	Caa	Caa
b) EBITDA Margin	18.7%	B
<b>Factor 2: Market Conditions (28%)</b>		
a) Business Profile	Ba	Ba
b) Geographic Diversity	Ba	Ba

[3]Moody's 12-18 Month Forward ViewAs of 7/2/2014	
<b>Measure</b>	<b>Score</b>
Caa	Caa
18% - 20%	B
Ba	Ba
Ba	Ba

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 3/31/2014(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

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## Rating Factors

Delta Air Lines, Inc.

Passenger Airlines Industry Grid [1][2]	Current LTM 3/31/2014		[3]Moody's 12-18 Month Forward ViewAs of 7/2/2014	
<b>Factor 1: Cost Structure (16%)</b>	<b>Measure</b>	<b>Score</b>	<b>Measure</b>	<b>Score</b>
a) Fleet Age (average in years)	Caa	Caa	Caa	Caa
b) EBITDA Margin	18.7%	B	18% - 20%	B
<b>Factor 2: Market Conditions (28%)</b>				
a) Business Profile	Ba	Ba	Ba	Ba
b) Geographic Diversity	Ba	Ba	Ba	Ba
<b>Factor 3: Coverage and Leverage (36%)</b>				
a) EBIT/Interest	2.5x	Ba	2.8x - 3.1x	Ba
b) RCF/Net Debt	15.0%	Ba	22% - 24%	Ba
c) Debt/EBITDA	4.2x	Ba	3.5x - 3.8x	Baa

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 3/31/2014(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

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## Rating Factors

Delta Air Lines, Inc.

Passenger Airlines Industry Grid [1][2]	Current LTM 3/31/2014		[3]Moody's 12-18 Month Forward ViewAs of 7/2/2014	
<b>Factor 1: Cost Structure (16%)</b>	<b>Measure</b>	<b>Score</b>	<b>Measure</b>	<b>Score</b>
a) Fleet Age (average in years)	Caa	Caa	Caa	Caa
b) EBITDA Margin	18.7%	B	18% - 20%	B
<b>Factor 2: Market Conditions (28%)</b>				
a) Business Profile	Ba	Ba	Ba	Ba
b) Geographic Diversity	Ba	Ba	Ba	Ba
<b>Factor 3: Coverage and Leverage (36%)</b>				
a) EBIT/Interest	2.5x	Ba	2.8x - 3.1x	Ba
b) RCF/Net Debt	15.0%	Ba	22% - 24%	Ba
c) Debt/EBITDA	4.2x	Ba	3.5x - 3.8x	Baa
<b>Factor 4: Financial Policy (20%)</b>				
a) Financial Policy	Ba	Ba	Ba	Ba

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 3/31/2014(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

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## Rating Factors

Delta Air Lines, Inc.

Passenger Airlines Industry Grid [1][2]	Current LTM 3/31/2014	
<b>Factor 1: Cost Structure (16%)</b>	<b>Measure</b>	<b>Score</b>
a) Fleet Age (average in years)	Caa	Caa
b) EBITDA Margin	18.7%	B
<b>Factor 2: Market Conditions (28%)</b>		
a) Business Profile	Ba	Ba
b) Geographic Diversity	Ba	Ba
<b>Factor 3: Coverage and Leverage (36%)</b>		
a) EBIT/Interest	2.5x	Ba
b) RCF/Net Debt	15.0%	Ba
c) Debt/EBITDA	4.2x	Ba
<b>Factor 4: Financial Policy (20%)</b>		
a) Financial Policy	Ba	Ba
<b>Rating:</b>		
a) Indicated Rating from Grid		Ba3
b) Actual Rating Assigned		

[3]Moody's 12-18 Month Forward ViewAs of 7/2/2014	
<b>Measure</b>	<b>Score</b>
Caa	Caa
18% - 20%	B
Ba	Ba
Ba	Ba
2.8x - 3.1x	Ba
22% - 24%	Ba
3.5x - 3.8x	Baa
Ba	Ba
	Ba2
	Ba3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 3/31/2014(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

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# GAAP distortion examples as of March 2015

## DAL

- Capitalized leases of \$398mn vs. \$1,200mn
- Pension Expense of \$885mn vs. \$603mn vs. ZERO
- ROA of 6% versus Adjusted ROA of 13%
- P/E of 9 versus Adjusted P/E of 20.5

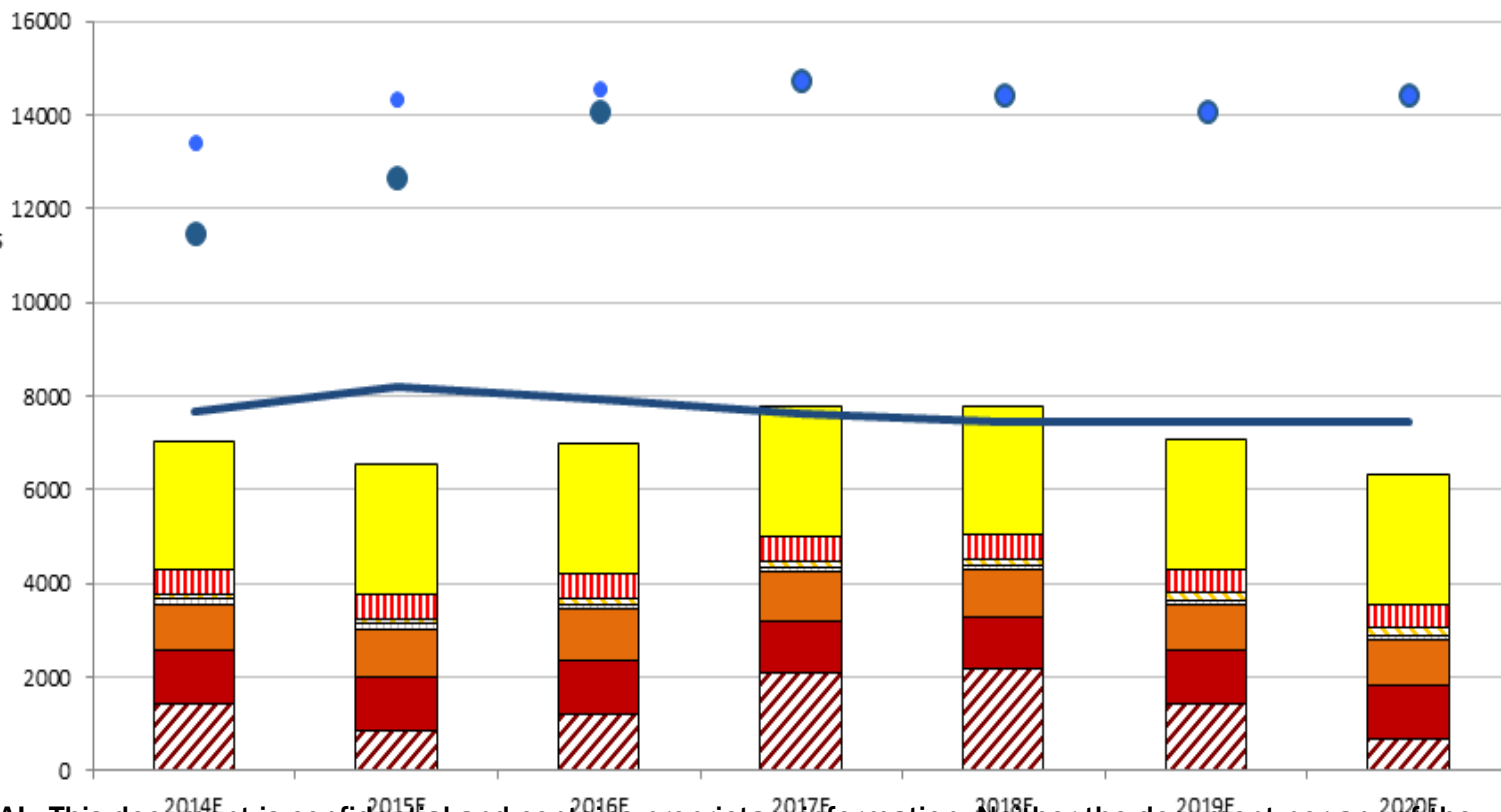
# Delta Air Lines Inc.(NYSE:DAL)



iCDS 113      89 EETC iCDS      106 Credit Fac iCDS      Data date: 3/6/2014  
 Actual CDS 220      Valens Credit Rating IG3 (A2)  
 Moody's Rating B1 (HY2+)

## Obligation & Debt Maturity Schedule

- Other Uses of Cash
- Maintenance Capex
- Pension Servicing Costs
- R&D Maintenance
- Dividends
- Rental Maintenance
- Interest Expense
- Debt Maturities
- Gross Cash Earnings<sup>1</sup>
- Cash Available for Outlays
- Cash Available & Undrawn Revolver



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# EXPE

Moody's rating too low

Some near-term issues with equity,

though longer-term could outperform the industry

# GAAP distortion examples seen post-adjustments

## EXPE

- Pension Expense of \$36mn vs Adj of \$10 vs. Zero
- Cap leases of Zero vs. Adj Cap leases of \$508mn
- ROA of 4.4% versus Adjusted ROA of 19.7%
- P/E of 30x versus Adjusted P/E of 21x

# Expedia Inc.

iCDS  
Actual CDS

144  
82

2020 5.950% Bond at 112.29 Reference Bond

3.091% Intrinsic YTW  
3.441% YTW

179 G-STW

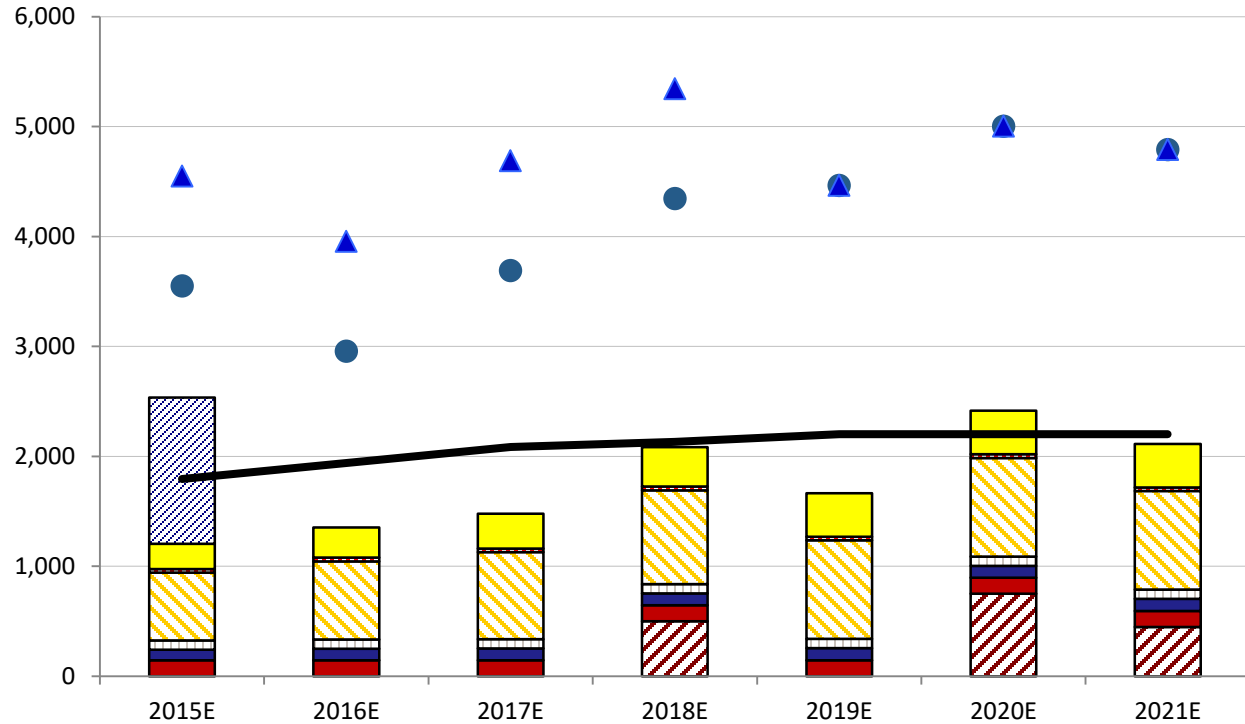
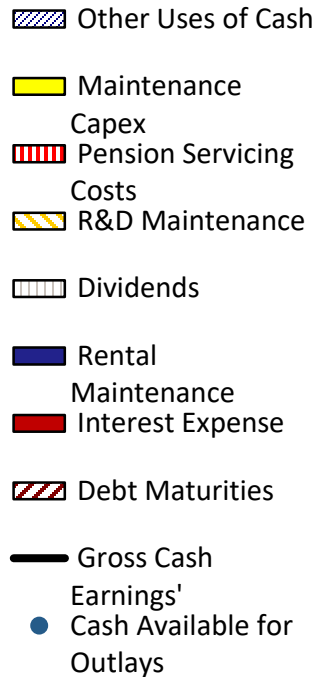
Data date:

**Valens Credit Rating**  
**Moody's Rating**

3/9/2015

IG4+ (Baa1)  
Ba1 (XO-)

## Obligation & Debt Maturity Schedule



Source: Valens Credit Analysis

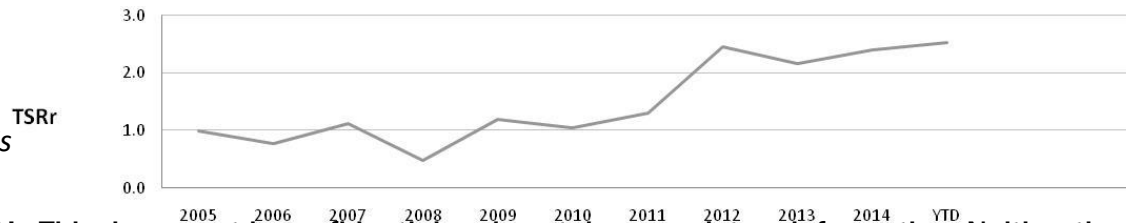
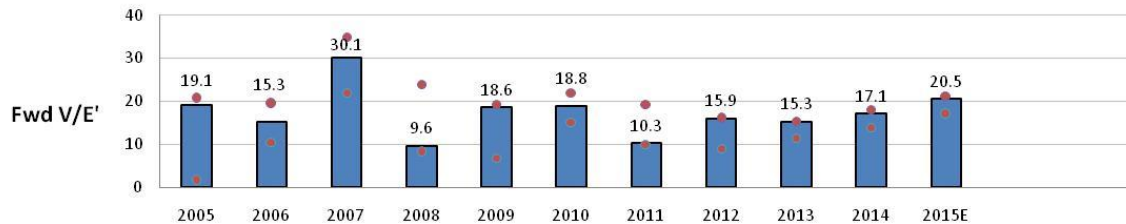
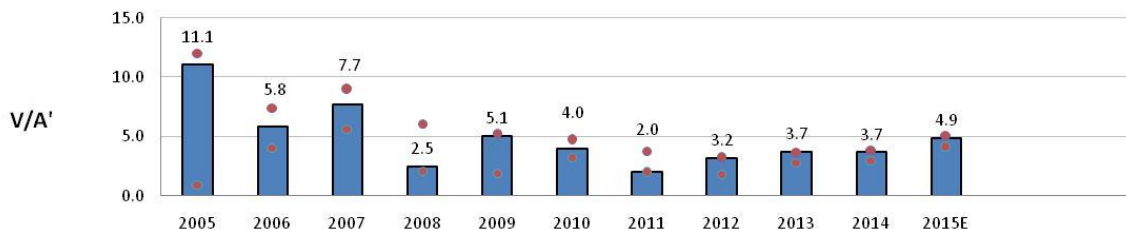
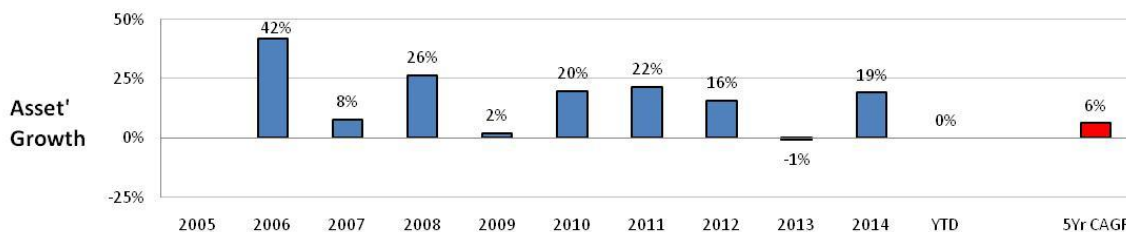
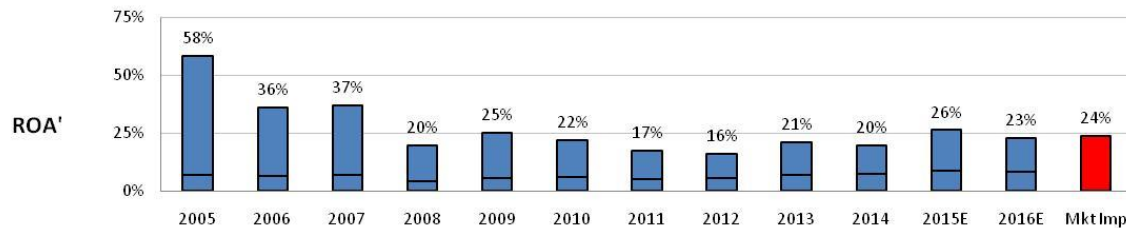
# Expedia, Inc. (EXPE)

Stock Price USD 90.55 - Market Cap 11.5B

Data Date - 3/9/2015

Consumer Discretionary - Internet Retail

Fiscal Year - 12/31/2014 - Current Quarter - Q42014



Source: Valens Credit Analysis

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EXPE:

10/30 - CEO Khosrowshahi was **highly confident** when saying Q3 2014 adjusted EPS was up by 35% year-over-year

10/30 - CEO Khosrowshahi was **highly confident** when saying that trivago is growing a lot of share as far as overall traffic to travel websites

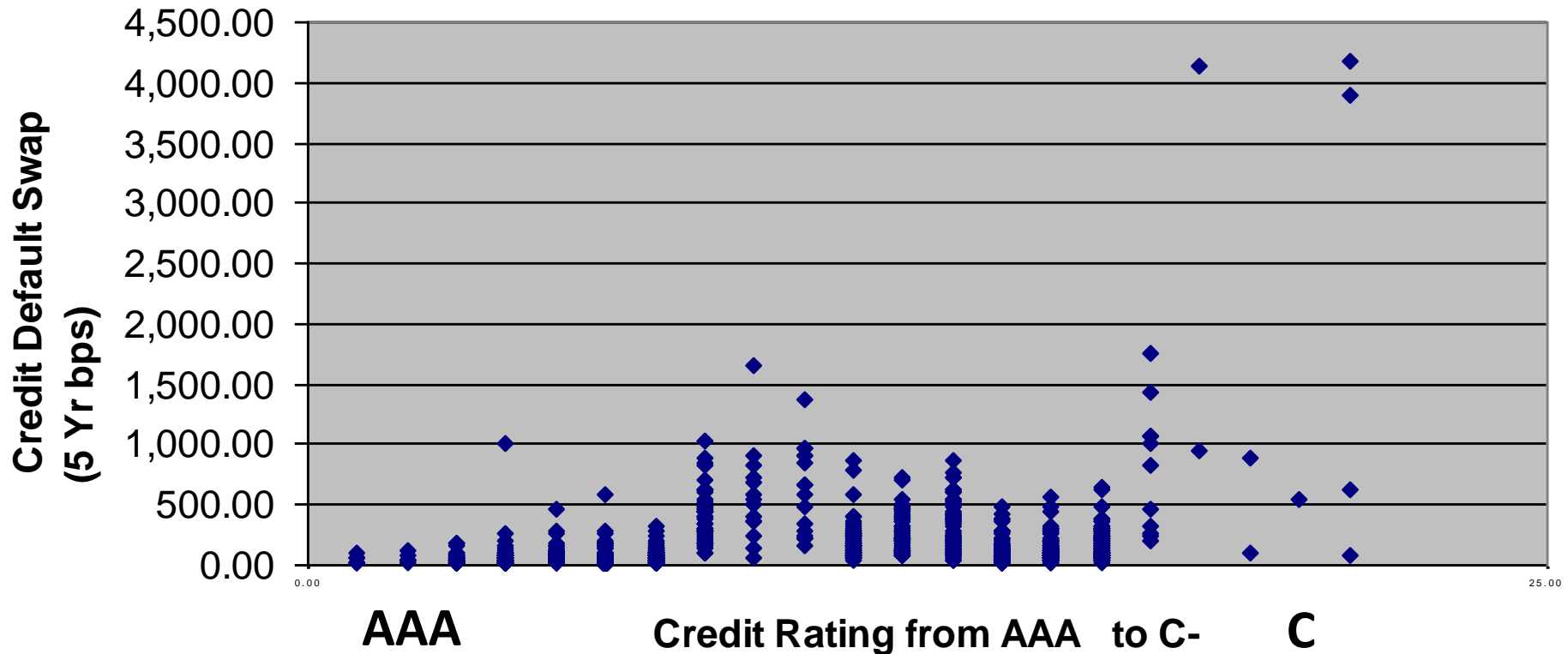
2/5 - CEO Khosrowshahi was **highly questionable** when saying that their customer volume in U.S. travelling to international is strong at 50%, which is offsetting the weakness of the volume coming from international markets-to-U.S. due to forex headwinds



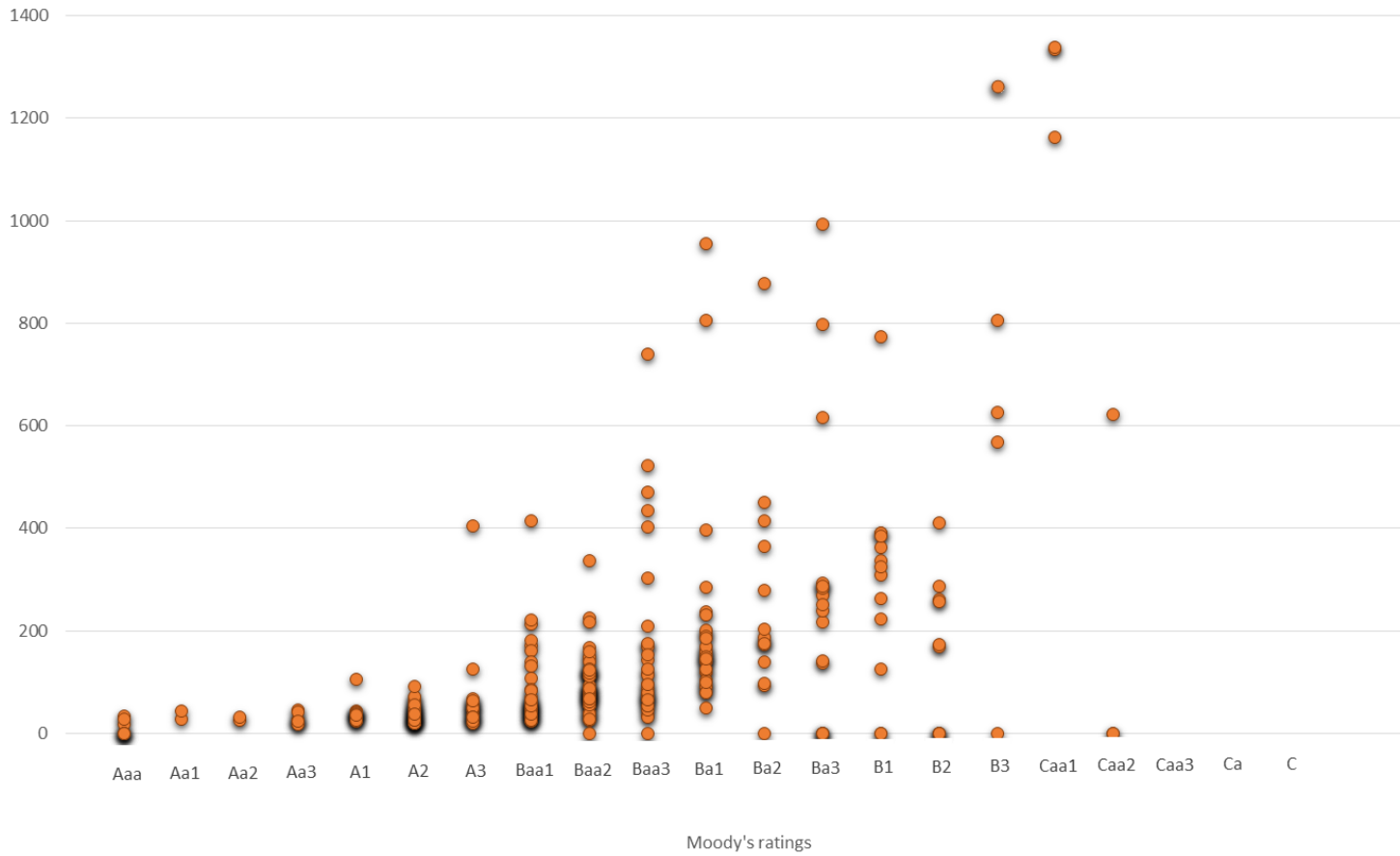


# CDS vs. Avg Credit Rating

1,216 Companies Worldwide with CDS and Credit Rating



### Moody'sRatings vs CDS



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# Jardine Strategic Holdings Limited

2020 3.950% Bond at 64.50 Reference Bond

Data date:

11/9/2015

iCDS 98  
Actual CDS 132



2.451% Intrinsic YTW  
2.551% YTW

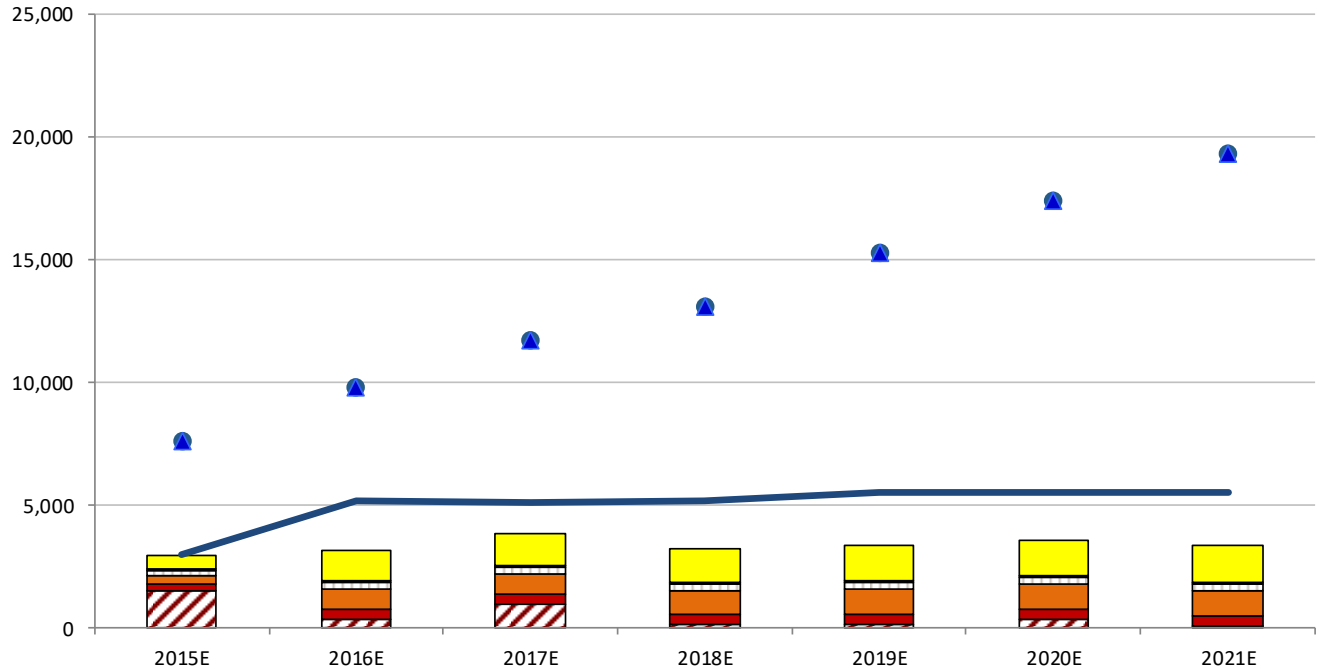
108 G-STW

**Valens Credit Rating**  
**Moody's Rating**

IG3+ (A1)  
A2 (IG3)

## Obligation & Debt Maturity Schedule

-  Other Uses of Cash
-  Maintenance Capex
-  Pension Servicing Costs
-  R&D Maintenance
-  Dividends
-  Rental Maintenance
-  Interest Expense
-  Debt Maturities
-  Gross Cash Earnings<sup>1</sup>
-  Cash Available for Outlays
-  Cash Available & Undrawn Revolver



# Noble Group Limited

iCDS 220  
Actual CDS 1443












2020 6.750% Bond at \$83.75 Reference Bond  
3.941% Intrinsic YTW  
11.741% YTW

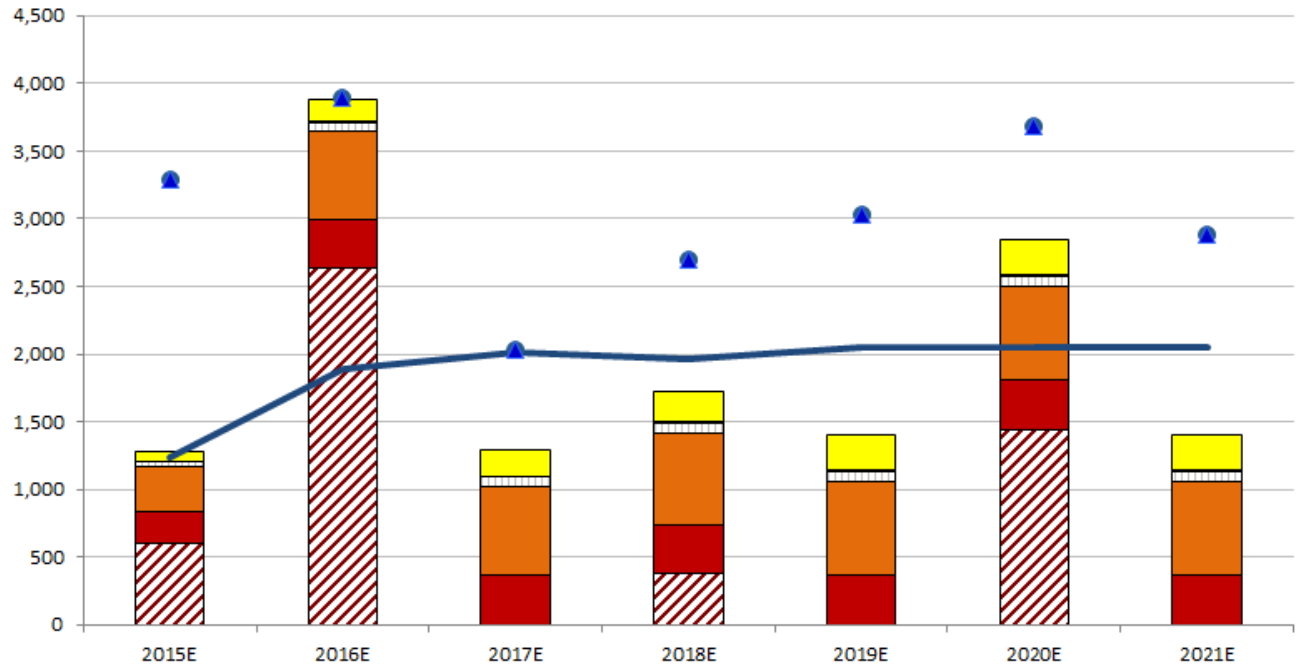
1000 G-STW

Data date:  
**Valens Credit Rating**  
**Moody's Rating**

11/9/2015  
XO (Baa3)  
Baa3 (XO)

## Obligation & Debt Maturity Schedule

-  Other Uses of Cash
-  Maintenance Capex
-  Pension Servicing Costs
-  R&D Maintenance
-  Dividends
-  Rental Maintenance
-  Interest Expense
-  Debt Maturities
-  Gross Cash Earnings<sup>1</sup>
-  Cash Available for Outlays
-  Cash Available & Undrawn Revolver



# Neptune Orient Lines Limited

iCDS  
Actual CDS

505  
N/A

2020 4.650% Bond at 96.193 Reference Bond

7.479% Intrinsic YTW  
5.559% YTW

313 G-STW

Data date:

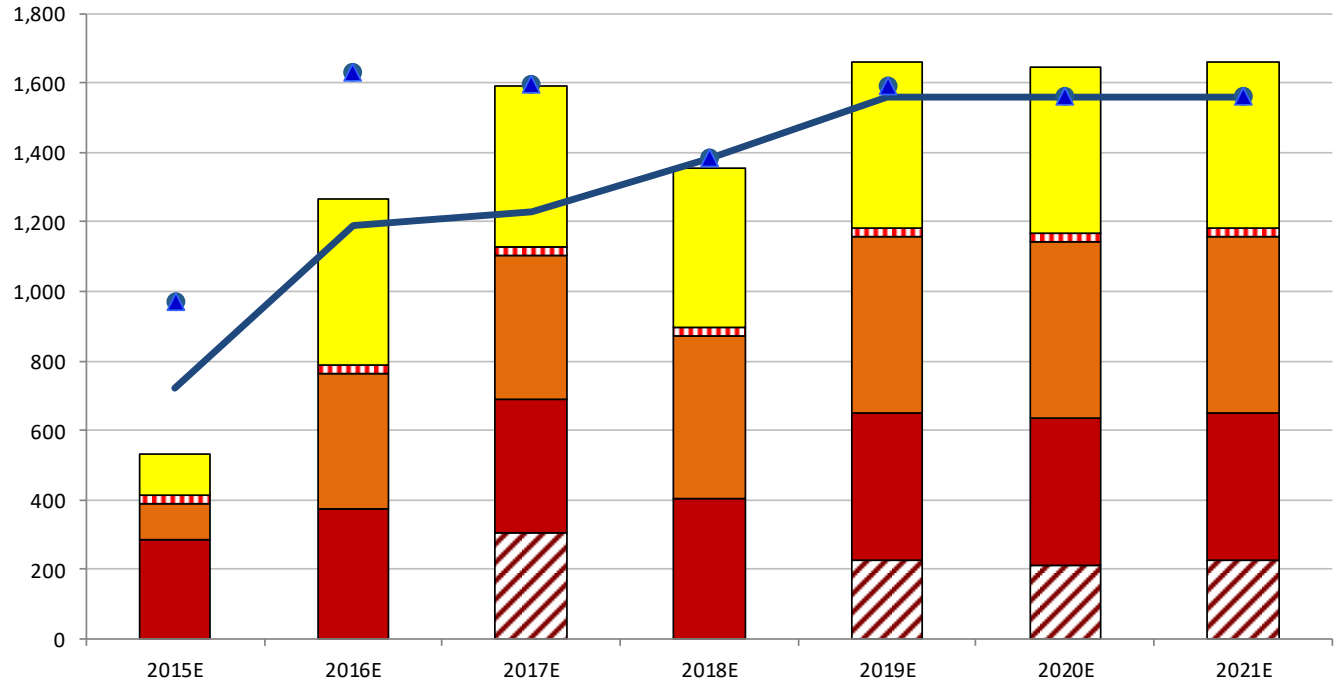
**Valens Credit Rating**  
**Moody's Rating**

11/9/2015

HY (Ba2)  
NA

## Obligation & Debt Maturity Schedule

-  Other Uses of Cash
-  Maintenance Capex
-  Pension Servicing Costs
-  R&D Maintenance
-  Dividends
-  Rental Maintenance
-  Interest Expense
-  Debt Maturities
-  Gross Cash Earnings'
-  Cash Available for Outlays
-  Cash Available & Undrawn Revolver





**Credit Reports**

Search

Ticker

Company Name

Ticker ▲	Company Name ▲	Industry ▲	Data Date
LB	L Brands, Inc.	Apparel Retail	11/09/2015
FCX	Freeport-McMoRan, Inc.	Diversified Metals and Mining	11/06/2015
RCL	Royal Caribbean Cruises Ltd.	Hotels, Resorts and Cruise Lines	11/05/2015
SPLS	Staples, Inc.	Specialty Stores	11/05/2015
CAG	ConAgra Foods, Inc.	Packaged Foods and Meats	11/03/2015
JCP	J. C. Penney Company, Inc.	Department Stores	11/02/2015
S	Sprint Corporation	Wireless Telecommunication Services	10/30/2015
VRX	Valeant Pharmaceuticals International, Inc.	Pharmaceuticals	10/30/2015
DAL	Delta Air Lines, Inc.	Airlines	10/29/2015
RPM	RPM International Inc.	Specialty Chemicals	10/29/2015
NAV	Navistar International Corporation	Construction Machinery and Heavy Trucks	10/27/2015
DF	Dean Foods Company	Packaged Foods and Meats	10/26/2015
AMD	Advanced Micro Devices, Inc.	Semiconductors	10/23/2015
MGM	MGM Resorts International	Casinos and Gaming	10/22/2015

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# Market Phase Cycle™



**BULL CYCLE** ————— ● **BEAR CYCLE** ————— ●

**CREDIT EASING** ————— ● **CREDIT TIGHTENING** ————— ● **CREDIT EASING** ————— ●

————— ● **Credit Demand Increasing** ————— ● **Credit Demand Falling** —————

————— ● **Net New Investing** ————— ● **Divesting** —————



# VALENS SECURITIES

## 150+ Years of Cross-Capital Investing

Professor Joel Litman  
November 2014

Valens Securities, Inc. and The Institute of Strategy & Valuation  
425 5<sup>th</sup> Avenue, New York, New York 10016 | PSE Centre, 2404-B, Pasig City, Philippines  
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## Moody's Credit Opinion – December 9, 2013

Delta Air Lines Inc.

Moody's Rating: B2 (HY2)

Valens Credit Rating: XO (Baa3)

Passenger Airlines Industry [1][2]	Current LTM 9/30/2013		[3]Moody's 12-18 month Forward View - as of 12/2013	
	Measure	Score	Measure	Score
<b>Factor 1: Cost Structure (16%)</b>				
a) Fleet Age (average in years)	Caa	Caa	Caa	Caa
b) EBITDA Margin	17.5%	B	17.5% - 18.5%	B
<b>Factor 2: Market Conditions (28%)</b>				
a) Business Profile	Ba	Ba	Ba	Ba
b) Geographic Diversity	Ba	Ba	Ba	Ba
<b>Factor 3: Coverage and Leverage (36%)</b>				
a) EBIT/Interest	2.0x	B	2.2x - 2.4x	Ba
b) RCF/Net Debt	14.4%	B	16.0% - 18.0%	Ba
c) Debt/EBITDA	5.2x	Ba	4.6x - 4.9x	Ba
<b>Factor 4: Financial Policy (20%)</b>				
a) Financial Policy	Ba	Ba	Ba	Ba
<b>Rating:</b>				
a) Indicated Rating from Grid		Ba3		Ba3
b) Actual Rating Assigned		B1		

GM

General Motors

# GM

- **P/E of 6.1x versus Adjusted V/E' of 16.8x**
- **Cap leases of \$968mn vs. Adj Cap leases of \$5,585mn**
- **Cash flow from operations of \$10,058.0mn vs. Adjusted Cash from operations of \$18,513.0mn**
- **Moody's rating of BB+ while Valens Credit rating is A+**

# Navistar International Corp (NYSE:NAV)

As-reported and traditional metrics

compared with adjusted calculations, removing distortions

- Capitalized leases of \$188mn vs.  
Adjusted Capitalized Leases \$629mn
- Cash Flow From Operations (\$336mn) vs.  
Cash Flow Available for Debt Service \$461.3mn
- Pension expense \$187mn  
Pension service cost \$44mn  
Pension cash contribution in distress: Zero
- Moody's Rating of B3 (junk debt) versus  
Valens Credit Rating IG4 (Baa2 investment grade)

*Data date: 2015 06 19, Valens Securities Analysis compared with Traditional Calculations from CapIQ, Yahoo Finance, and Google Finance*

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	<b>5 Year CDS Mid Spread (bps)</b>			
<b>Name</b>	<b>Credit Suisse</b>	<b>Markit</b>	<b>Bloomberg</b>	<b>Moody's</b>
<b>Smithfield Foods</b>	<b>790</b>	<b>508</b>	<b>673</b>	<b>717</b>

Name	5 Year CDS Mid Spread (bps)				iCDS
	Credit Suisse	Markit	Bloomberg	Moody's	
<b>Smithfield Foods</b>	<b>790</b>	<b>508</b>	<b>673</b>	<b>717</b>	<b>151</b>

Zoom: [1d](#) [5d](#) [1m](#) [3m](#) [6m](#) [YTD](#) [1y](#) [5y](#) [10y](#) [Max](#)

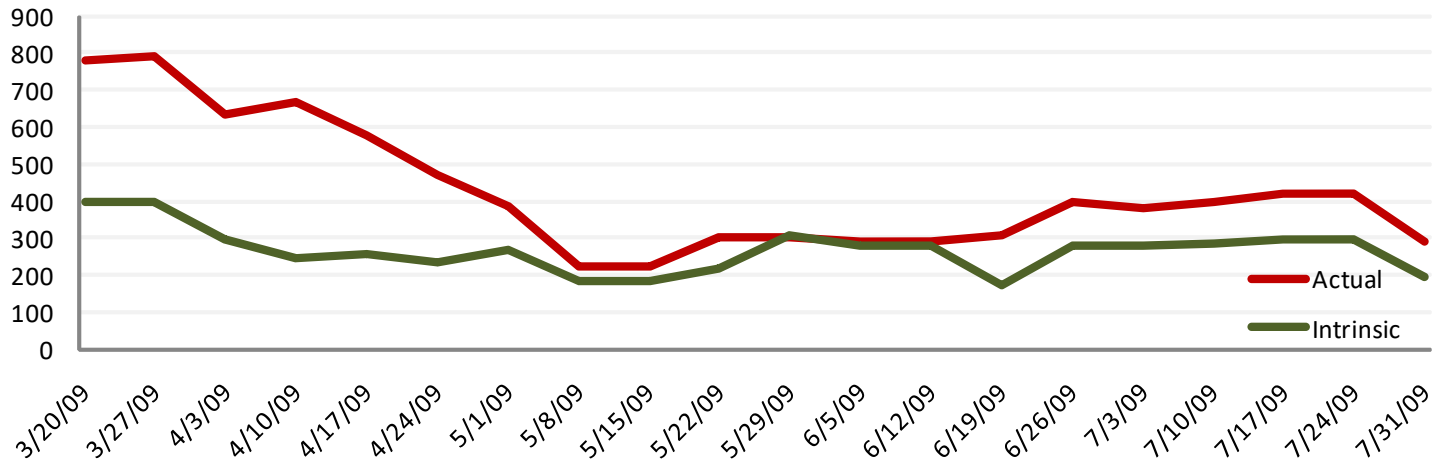
Dec 11, 2009 - Mar 10, 2010 +2.66 (16.29%)



Name	5 Year CDS Mid Spread (bps)				iCDS
	Credit Suisse	Markit	Bloomberg	Moody's	
<b>Smithfield Foods</b>	<b>790</b>	<b>508</b>	<b>673</b>	<b>717</b>	<b>151</b>

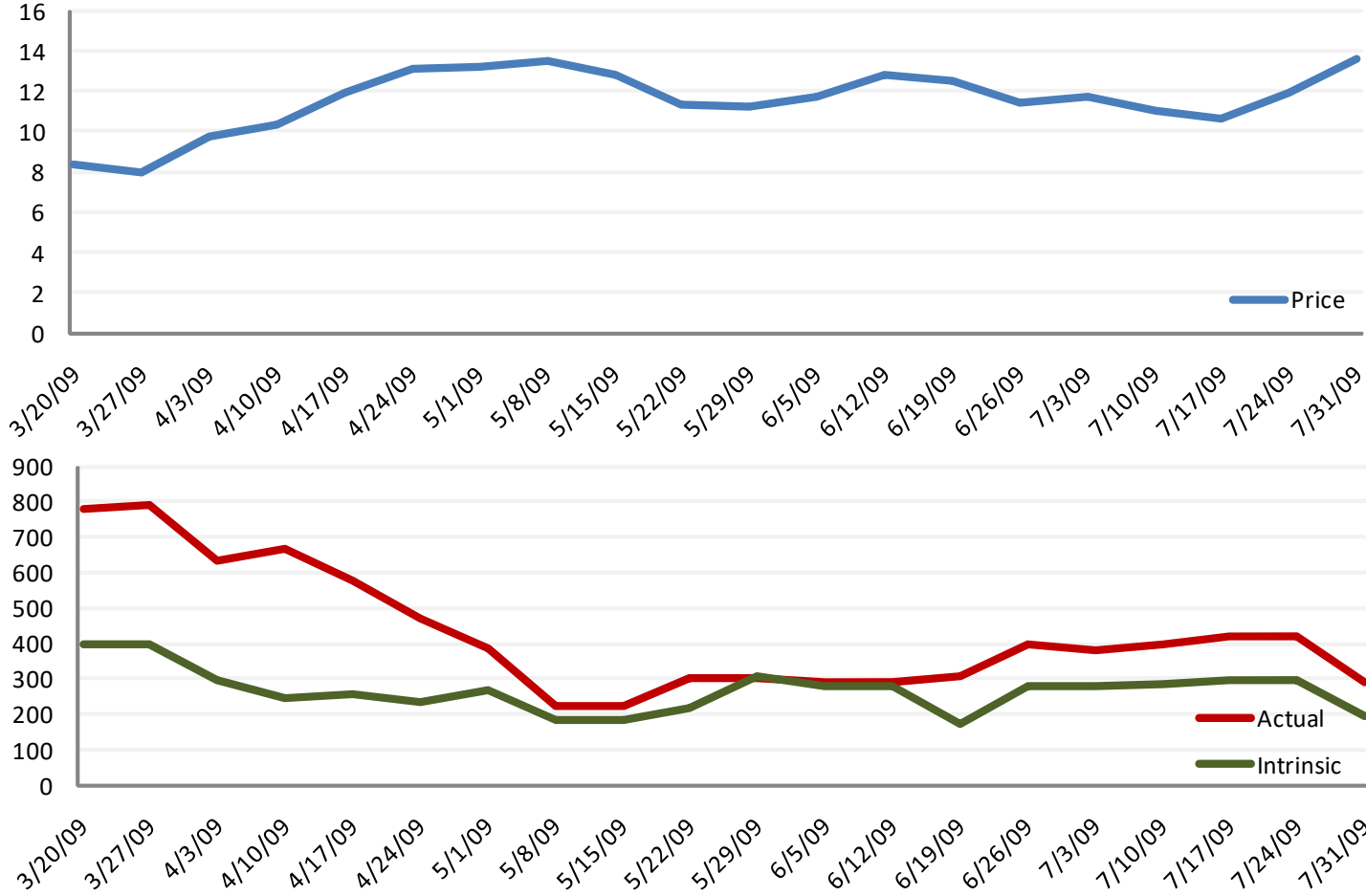


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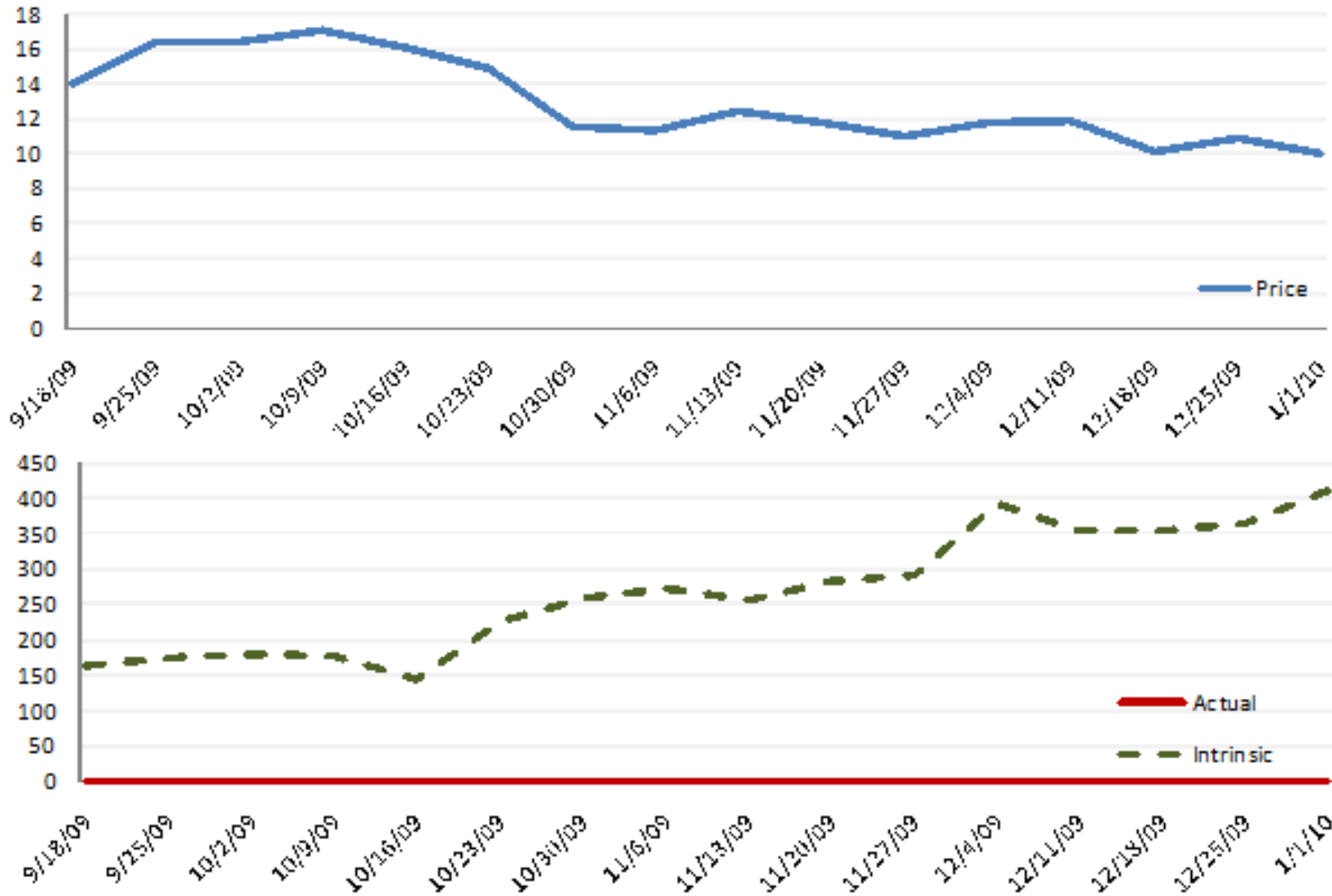
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# M

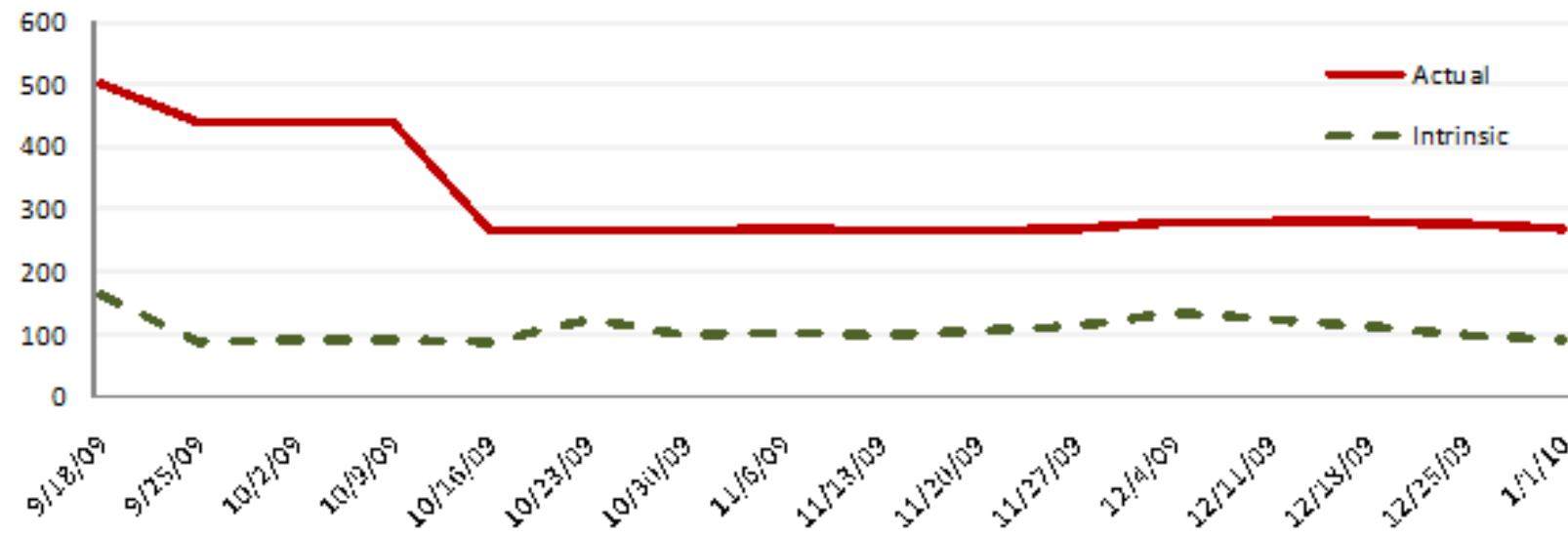
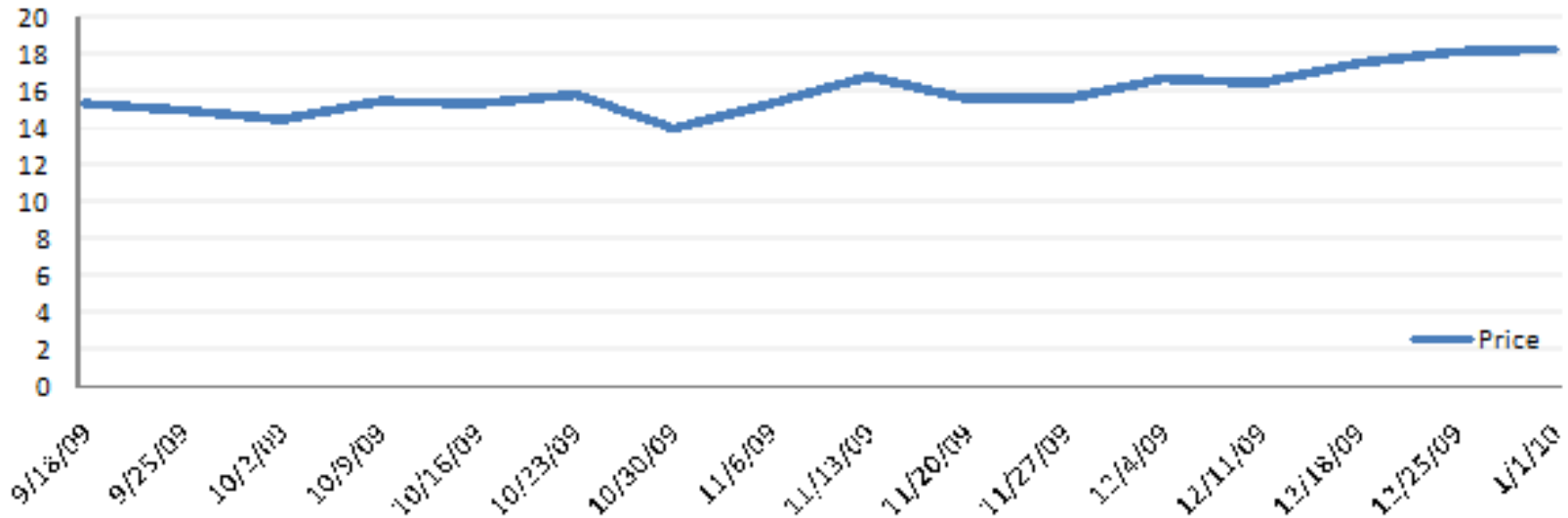


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# PALM



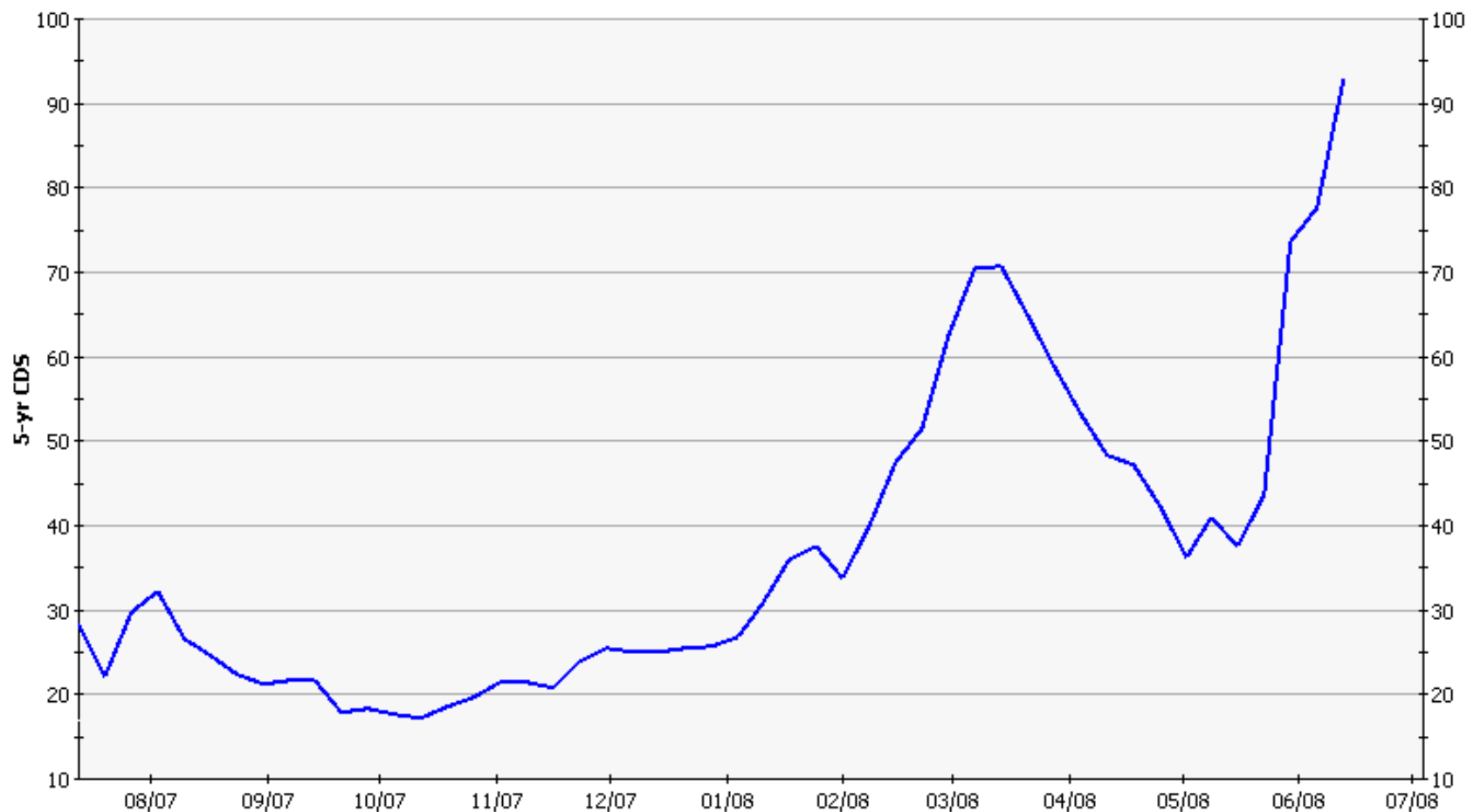
# STX



**BUD**

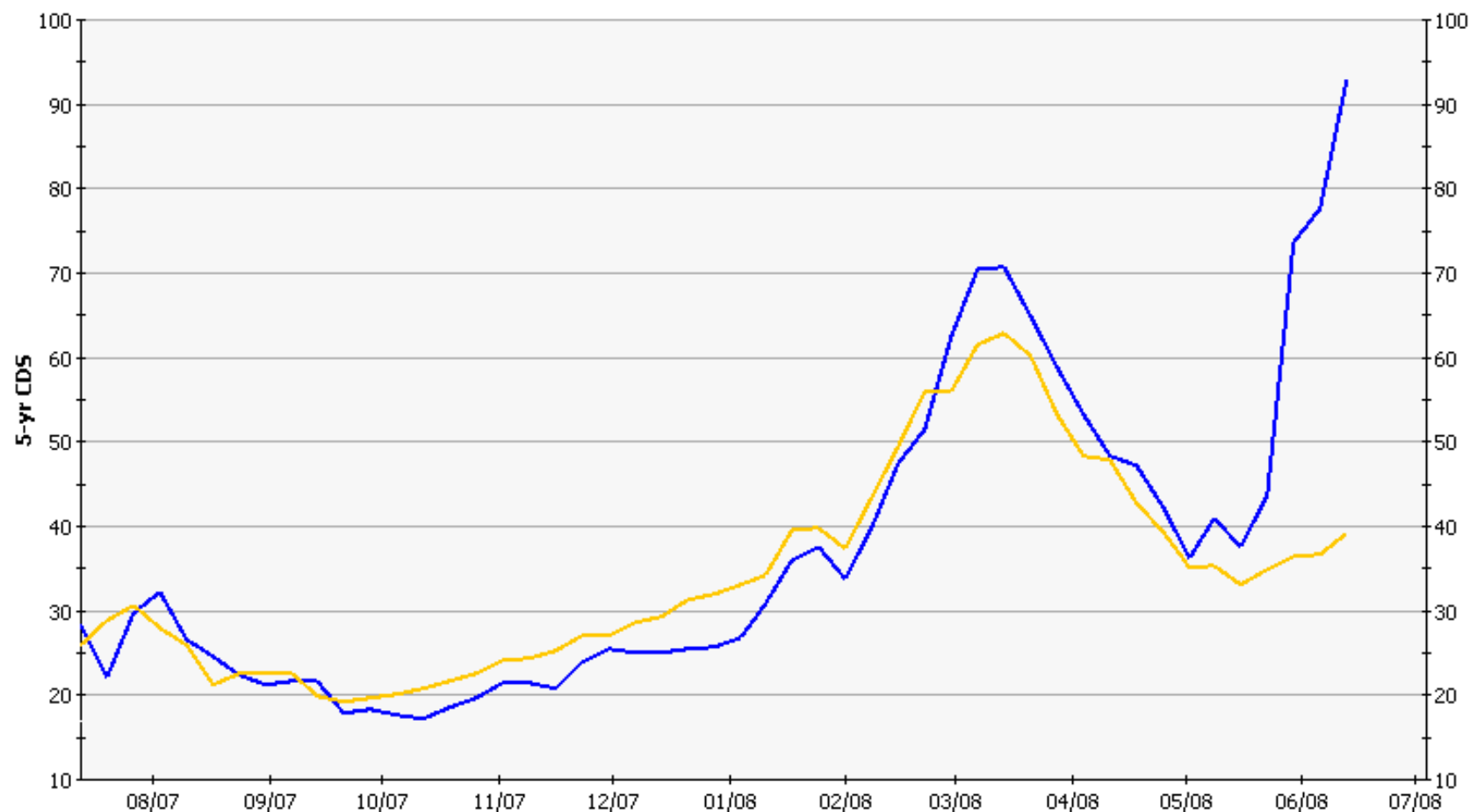
**Anheuser-Busch**

## BUD CDS (up to June 2008)



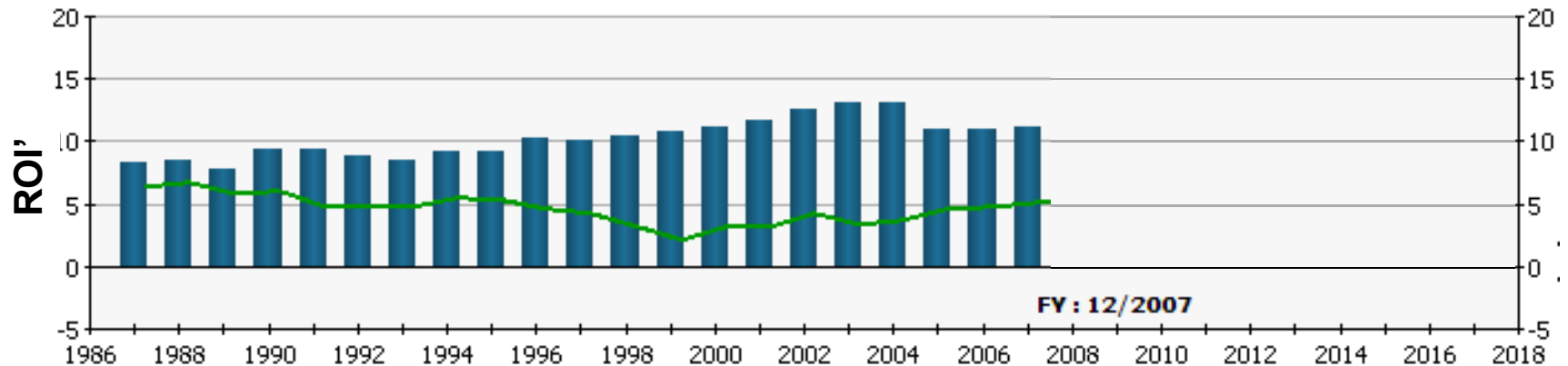
Fiscal Year: 12/2007 Quarter: Q1 United States Currency: USD Market Cap (USD): 43.583 Data Date: Jun 13, 2008 Model: Platinum (7.3.2)(ver 1.222)

## BUD CDS (up to June 2008) vs. Sector Median CDS



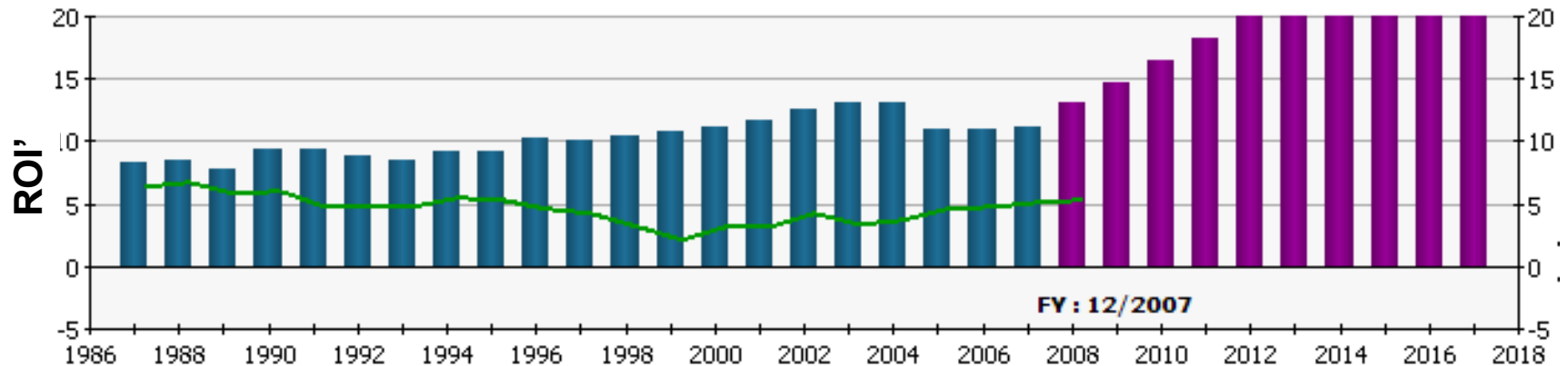
Fiscal Year: 12/2007 Quarter : Q1 United States Currency : USD Market Cap (USD) : 43.583 Data Date : Jun 13, 2008 Model : Platinum (7.3.2)(ver 1.222)

# BUD: What cash flows necessary to reach \$65 per share

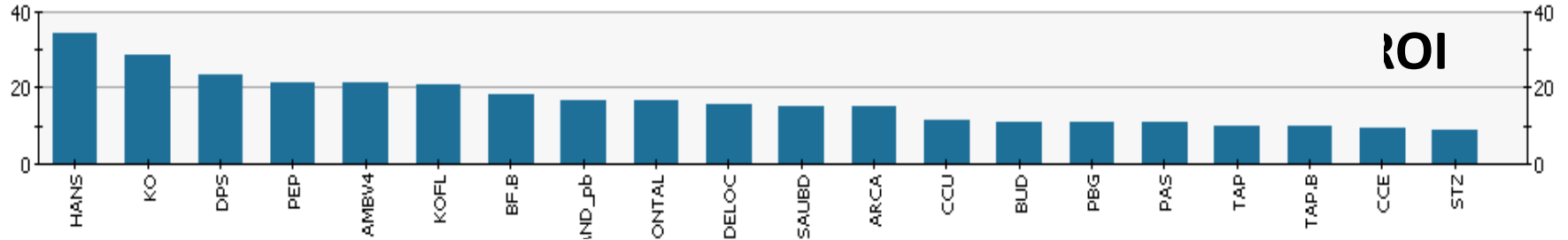




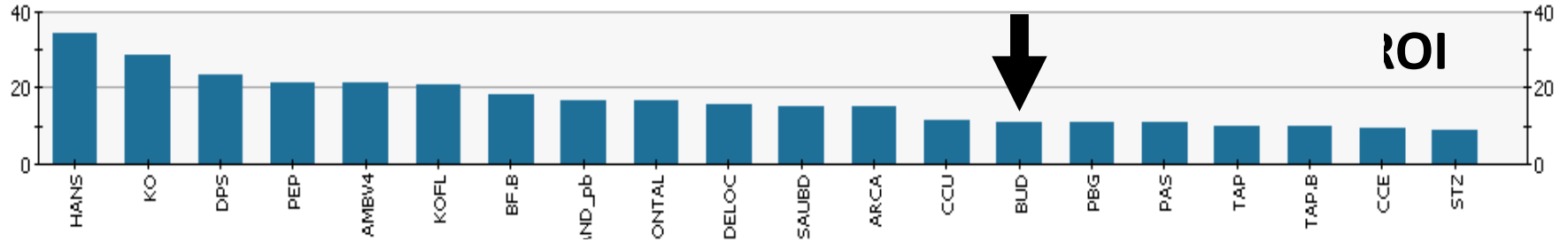
# BUD: What cash flows necessary to reach \$65 per share



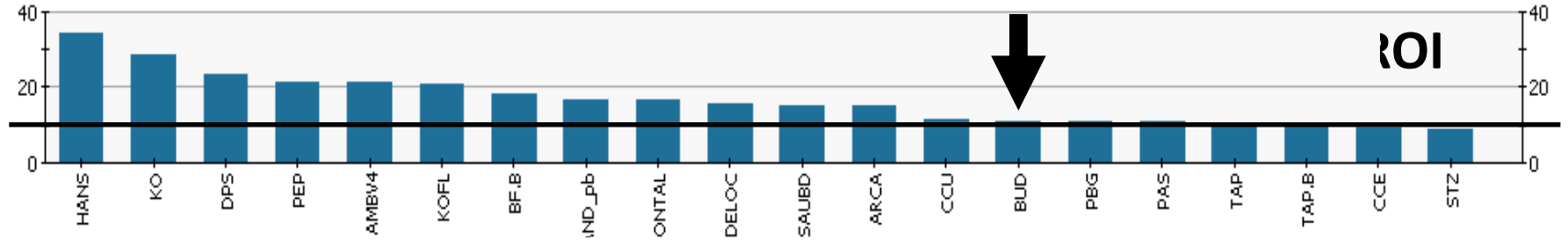
# BUD versus peers (LFY)



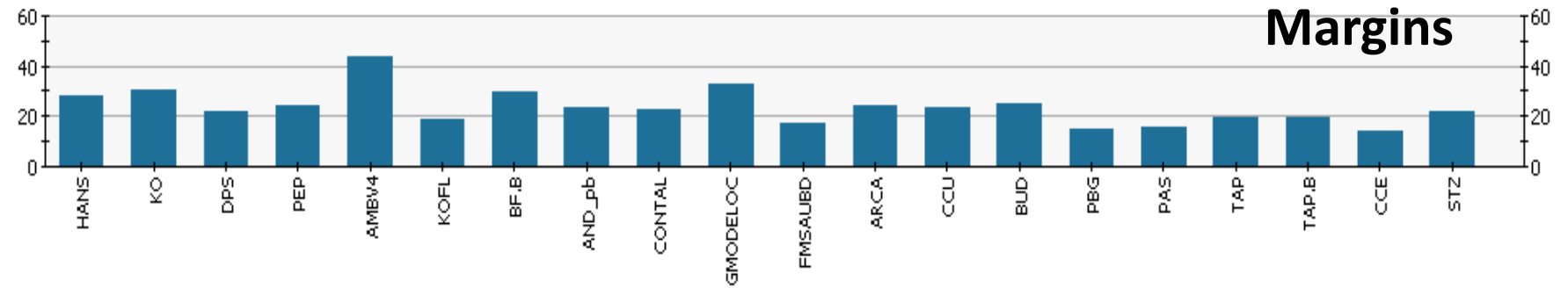
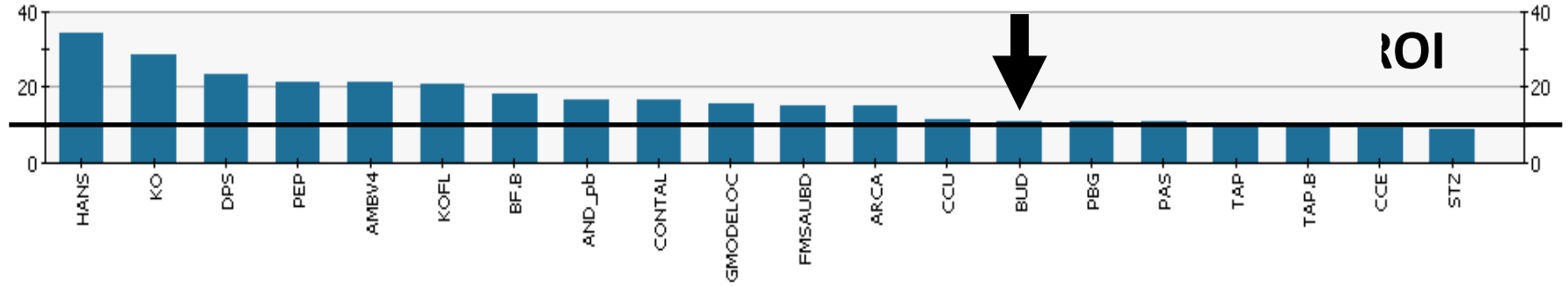
# BUD versus peers (LFY)



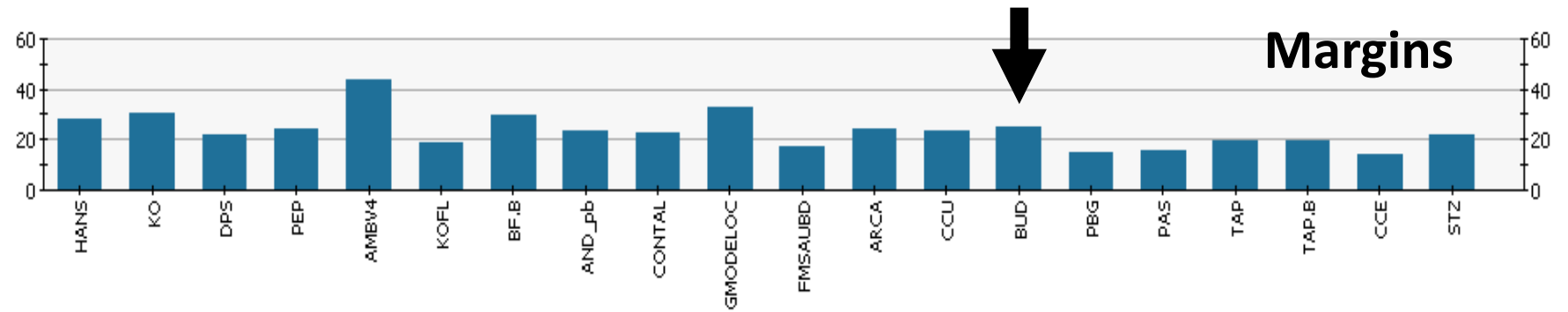
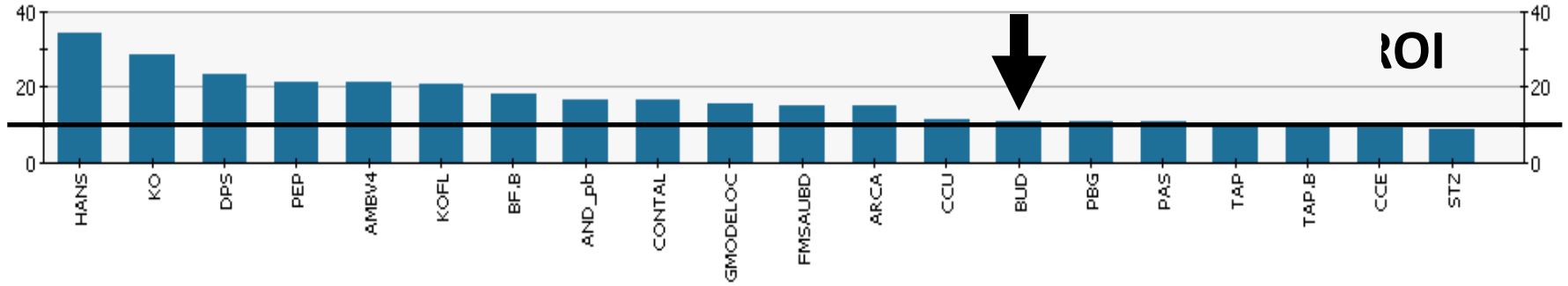
# BUD versus peers (LFY)



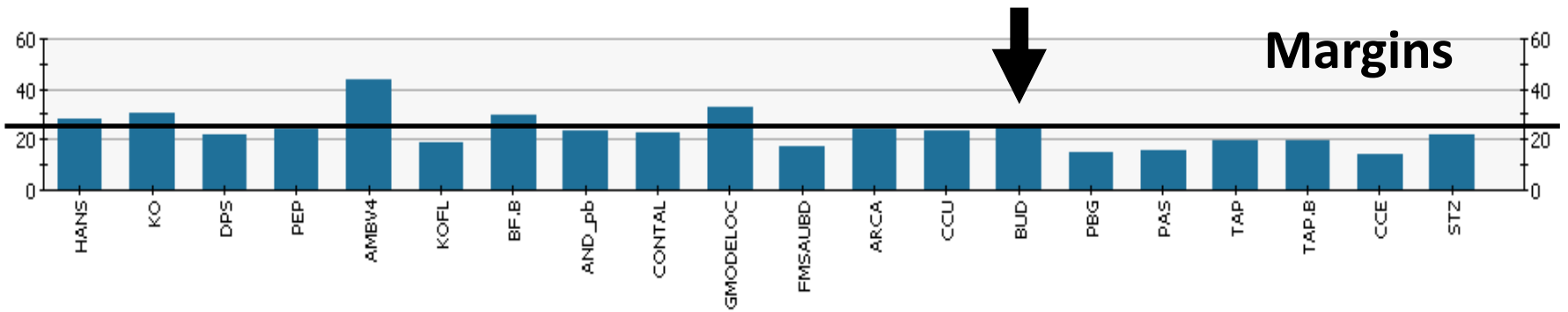
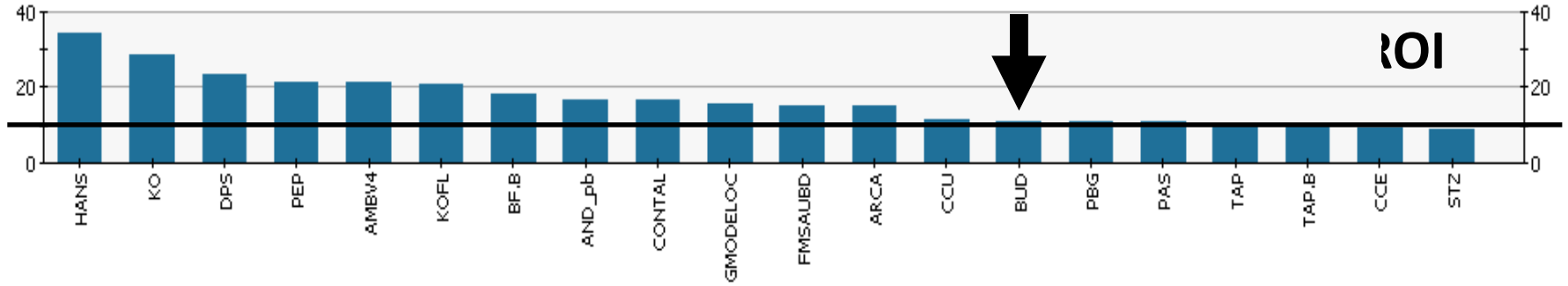
# BUD versus peers (LFY)



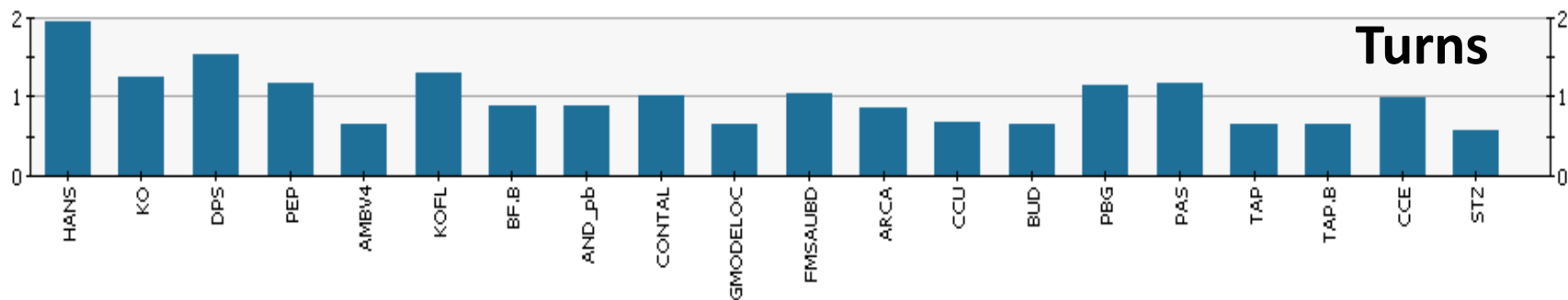
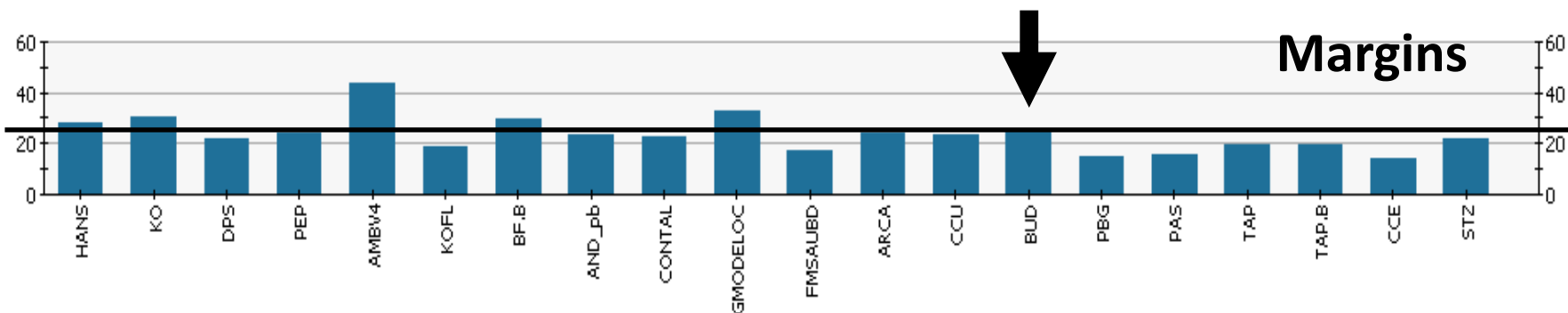
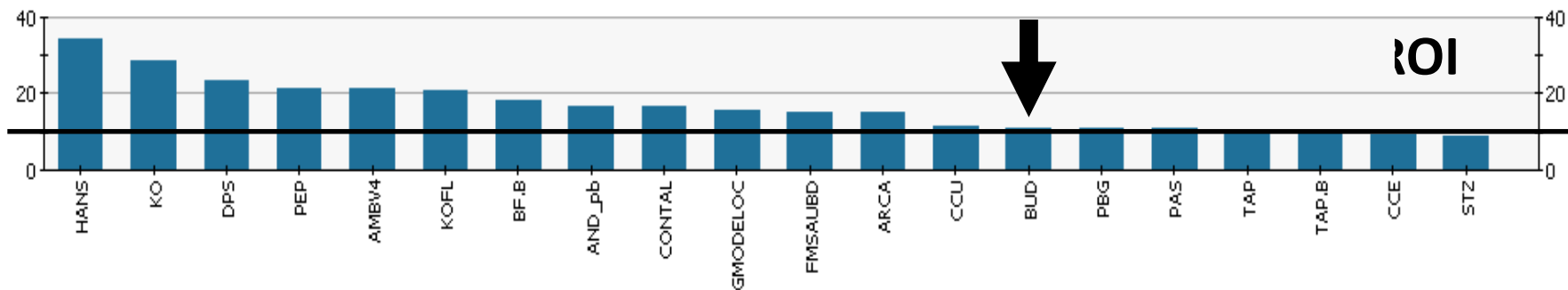
# BUD versus peers (LFY)



# BUD versus peers (LFY)

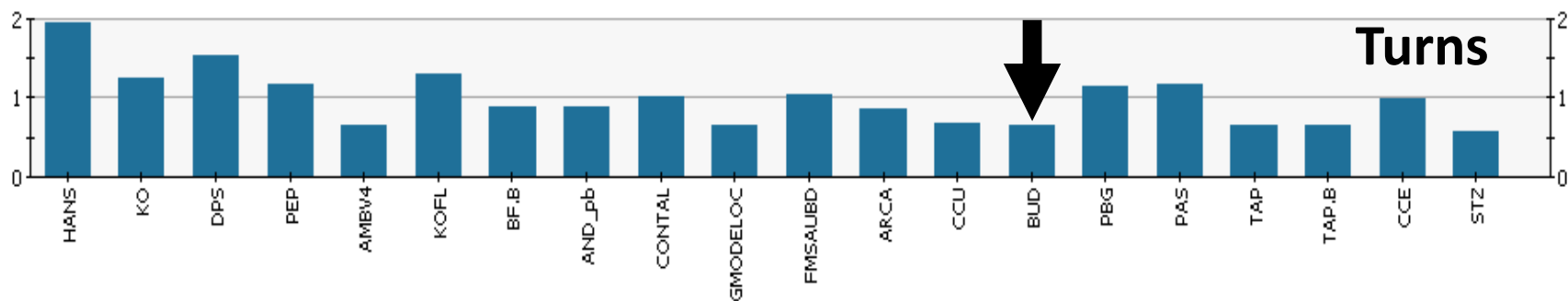
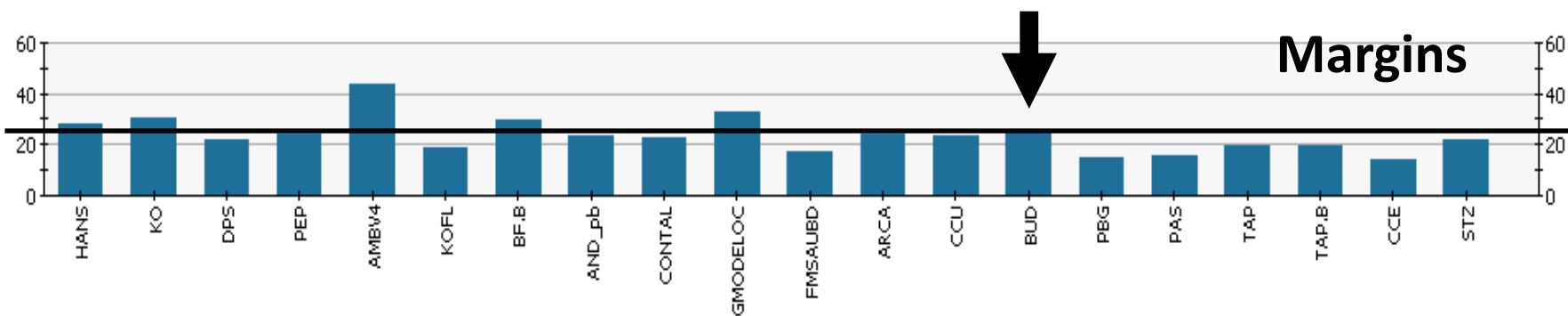
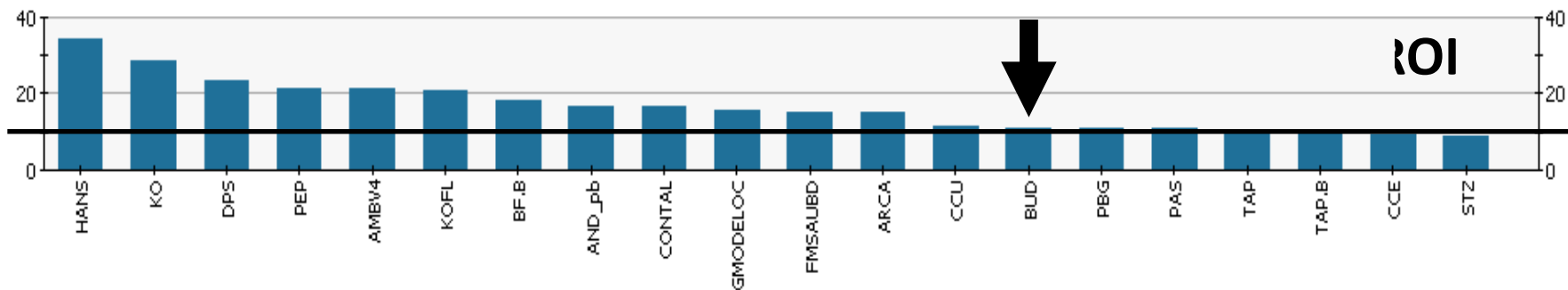


# BUD versus peers (LFY)

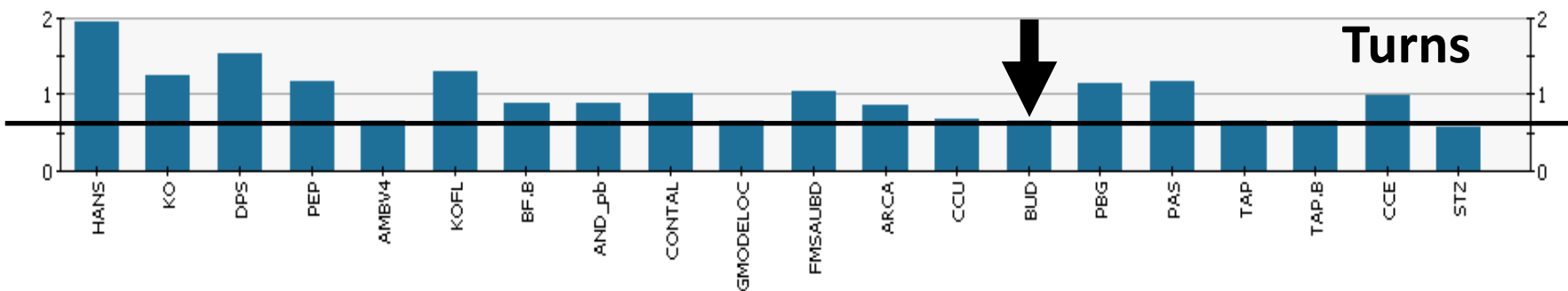
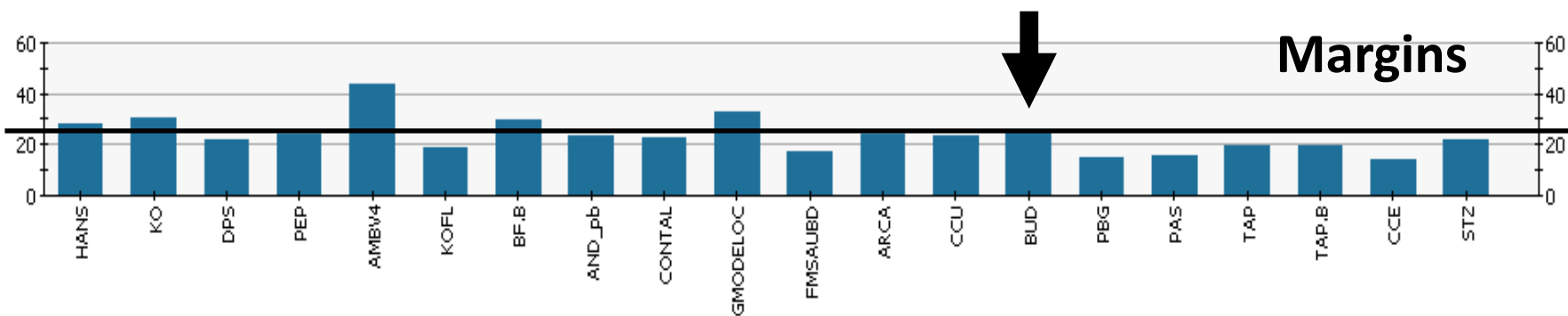
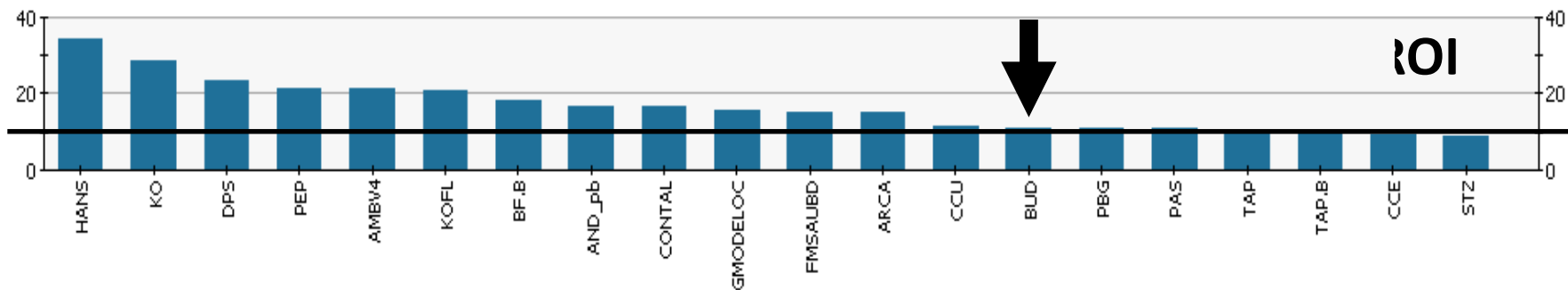




# BUD versus peers (LFY)



# BUD versus peers (LFY)

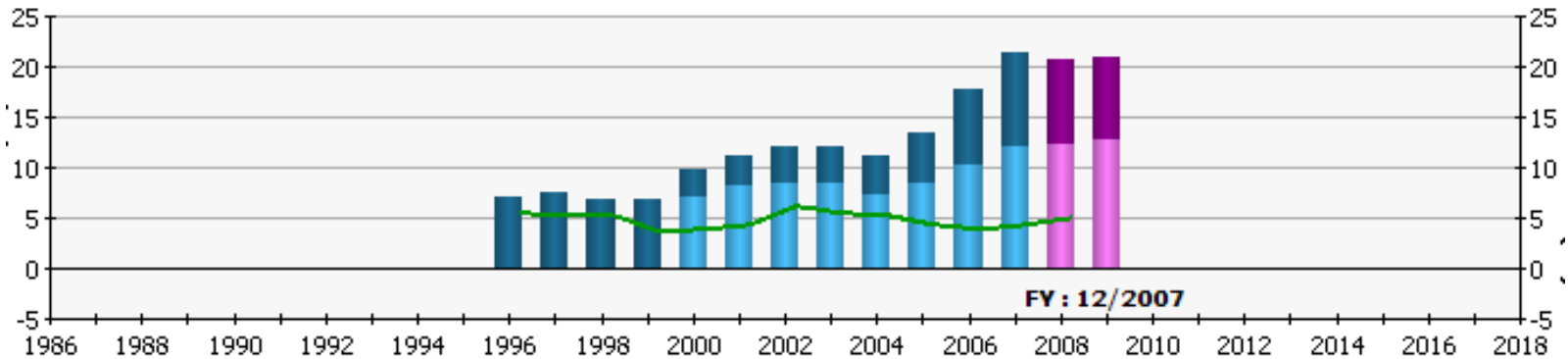


## BUD's Compensation Plan (DEF14A)

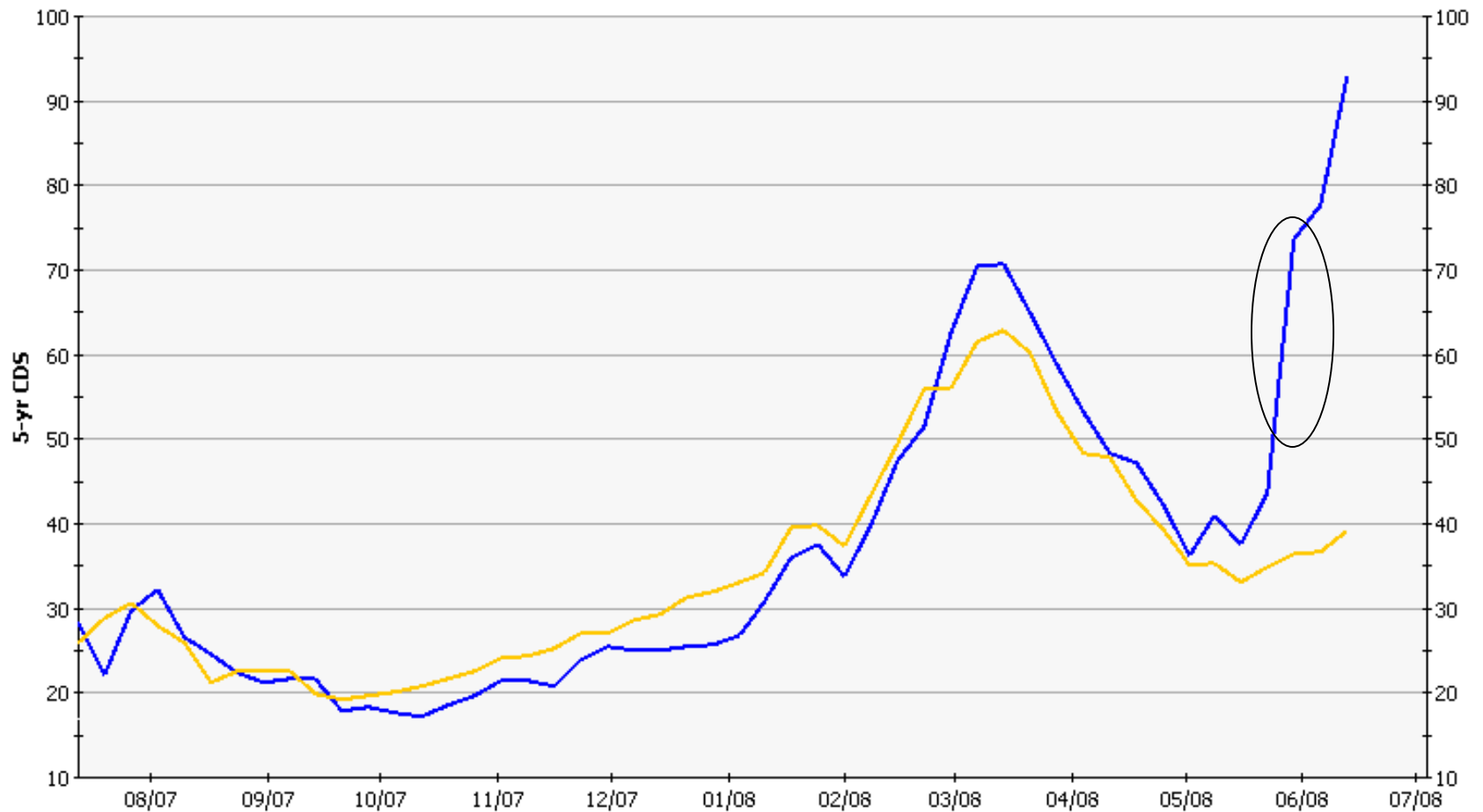
*“...bonuses would be payable only if the Company's pre-tax income met or exceeded a minimum threshold performance.”*

*“...Pre-tax income was selected as the primary measure for the plan... aligns the executive's annual incentive opportunity with corporate growth objectives.*

# INBEV (INTB): Higher ROIs (but by higher margins or turns?)



# BUD CDS (up to June 2008) vs. Sector Median CDS



# Credit Default Swap Data

	5 Year CDS Mid Spread (bps)			
Name	Credit Suisse	Markit	Bloomberg	Moody's
<b>MGM Mirage</b>	<b>1103</b>	<b>518</b>	<b>987</b>	<b>941</b>

	5 Year CDS Mid Spread (bps)			
Name	Credit Suisse	Markit	Bloomberg	Moody's
<b>MGM Mirage</b>	<b>1103</b>	<b>518</b>	<b>987</b>	<b>941</b>

	5 Year CDS Mid Spread (bps)			
Name	Credit Suisse	Markit	Bloomberg	Moody's
<b>PolyOne Corp</b>	<b>702</b>	<b>507</b>	<b>629</b>	<b>662</b>



	5 Year CDS Mid Spread (bps)			
Name	Credit Suisse	Markit	Bloomberg	Moody's
<b>MGM Mirage</b>	<b>1103</b>	<b>518</b>	<b>987</b>	<b>941</b>

	5 Year CDS Mid Spread (bps)			
Name	Credit Suisse	Markit	Bloomberg	Moody's
<b>PolyOne Corp</b>	<b>702</b>	<b>507</b>	<b>629</b>	<b>662</b>

	5 Year CDS Mid Spread (bps)			
Name	Credit Suisse	Markit	Bloomberg	Moody's
<b>Smithfield Foods</b>	<b>790</b>	<b>508</b>	<b>673</b>	<b>717</b>

Name	5 Year CDS Mid Spread (bps)				iCDS
	Credit Suisse	Markit	Bloomberg	Moody's	
<b>MGM Mirage</b>	<b>1103</b>	<b>518</b>	<b>987</b>	<b>941</b>	<b>400</b>

Name	5 Year CDS Mid Spread (bps)			
	Credit Suisse	Markit	Bloomberg	Moody's
<b>PolyOne Corp</b>	<b>702</b>	<b>507</b>	<b>629</b>	<b>662</b>

Name	5 Year CDS Mid Spread (bps)			
	Credit Suisse	Markit	Bloomberg	Moody's
<b>Smithfield Foods</b>	<b>790</b>	<b>508</b>	<b>673</b>	<b>717</b>

Name	5 Year CDS Mid Spread (bps)				iCDS
	Credit Suisse	Markit	Bloomberg	Moody's	
<b>MGM Mirage</b>	<b>1103</b>	<b>518</b>	<b>987</b>	<b>941</b>	<b>400</b>

Name	5 Year CDS Mid Spread (bps)				iCDS
	Credit Suisse	Markit	Bloomberg	Moody's	
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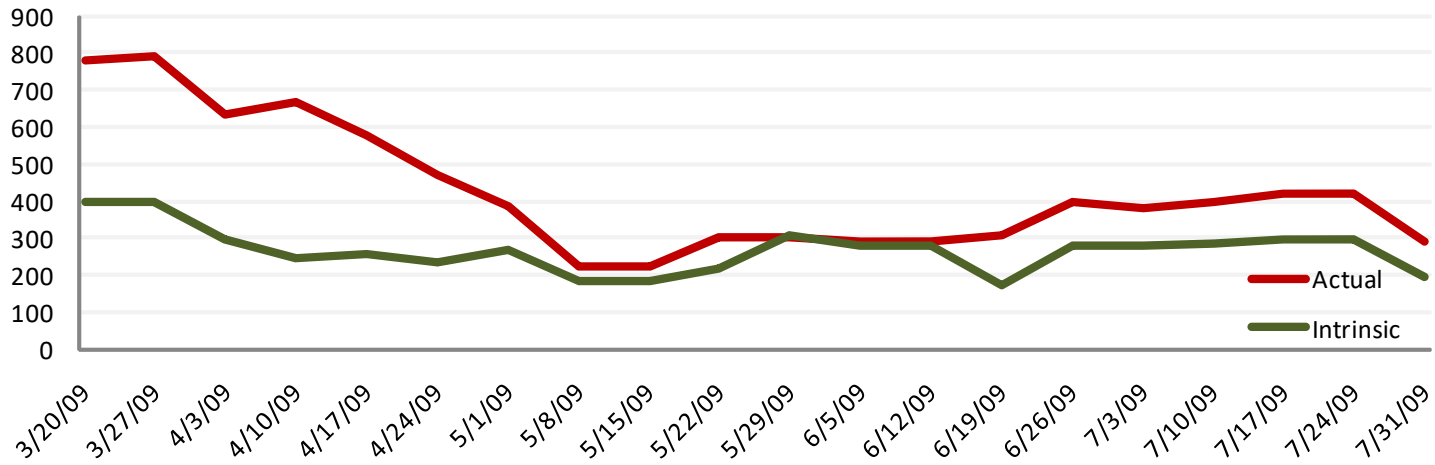
Name	5 Year CDS Mid Spread (bps)			
	Credit Suisse	Markit	Bloomberg	Moody's
<b>Smithfield Foods</b>	<b>790</b>	<b>508</b>	<b>673</b>	<b>717</b>

Name	5 Year CDS Mid Spread (bps)				iCDS
	Credit Suisse	Markit	Bloomberg	Moody's	
<b>MGM Mirage</b>	<b>1103</b>	<b>518</b>	<b>987</b>	<b>941</b>	<b>400</b>

Name	5 Year CDS Mid Spread (bps)				iCDS
	Credit Suisse	Markit	Bloomberg	Moody's	
<b>PolyOne Corp</b>	<b>702</b>	<b>507</b>	<b>629</b>	<b>662</b>	<b>388</b>

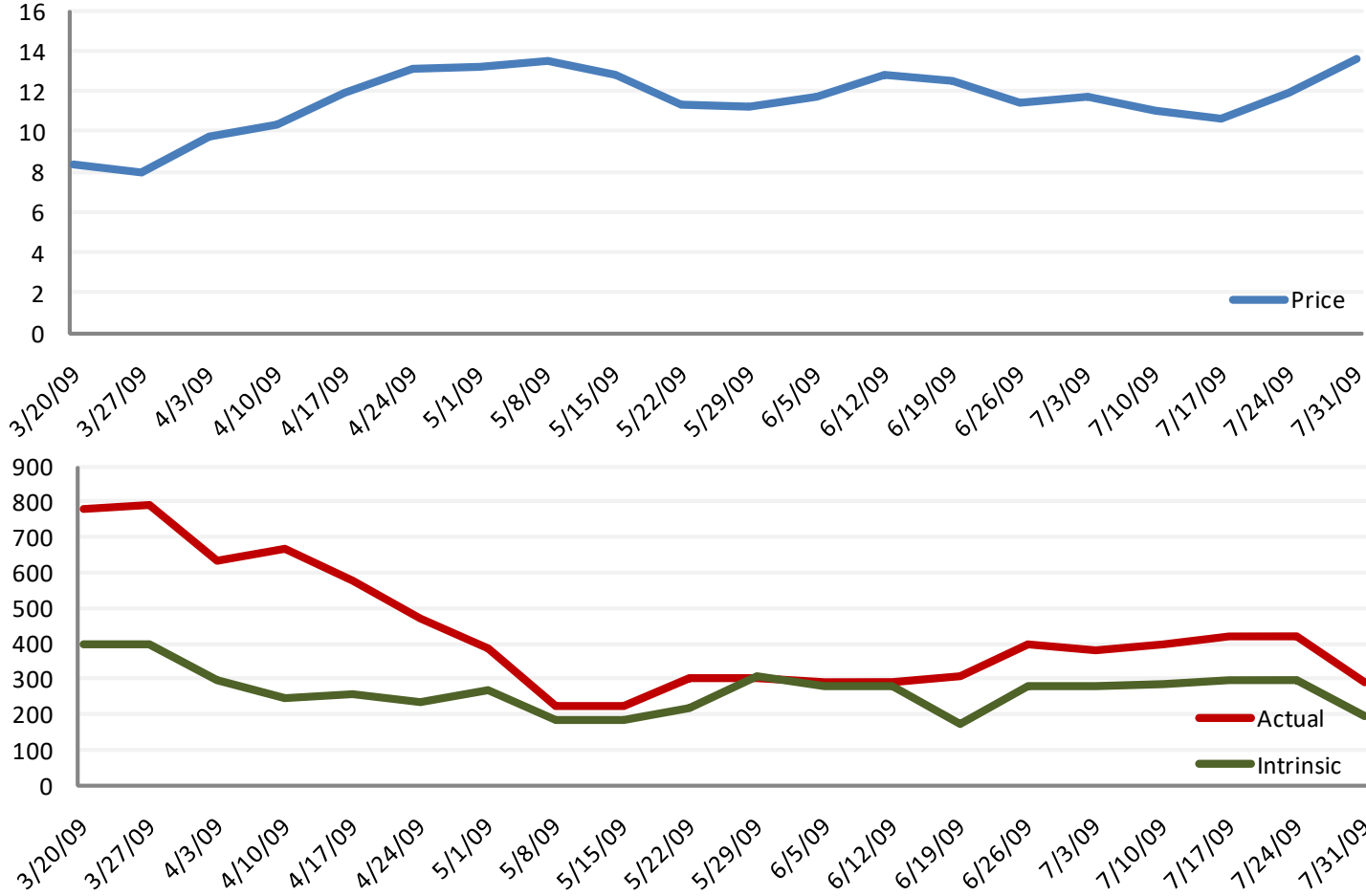
Name	5 Year CDS Mid Spread (bps)				iCDS
	Credit Suisse	Markit	Bloomberg	Moody's	
<b>Smithfield Foods</b>	<b>790</b>	<b>508</b>	<b>673</b>	<b>717</b>	<b>151</b>

M



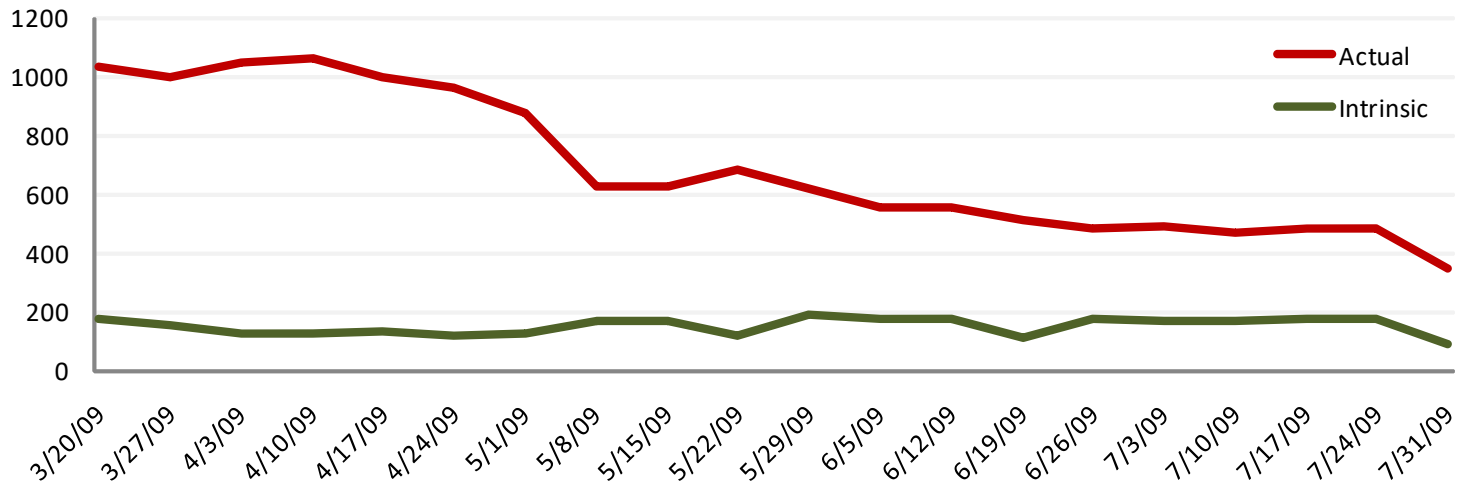
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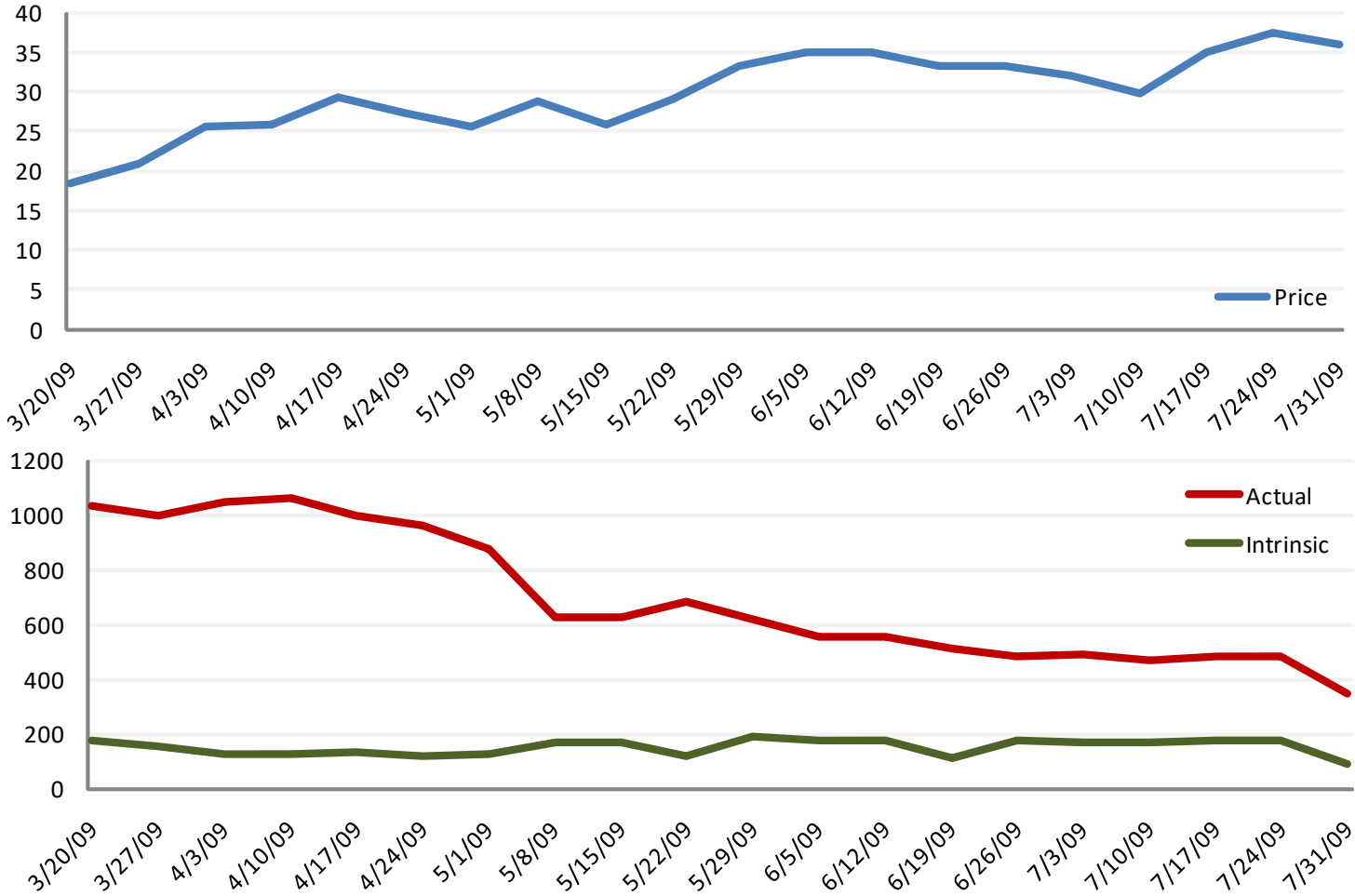


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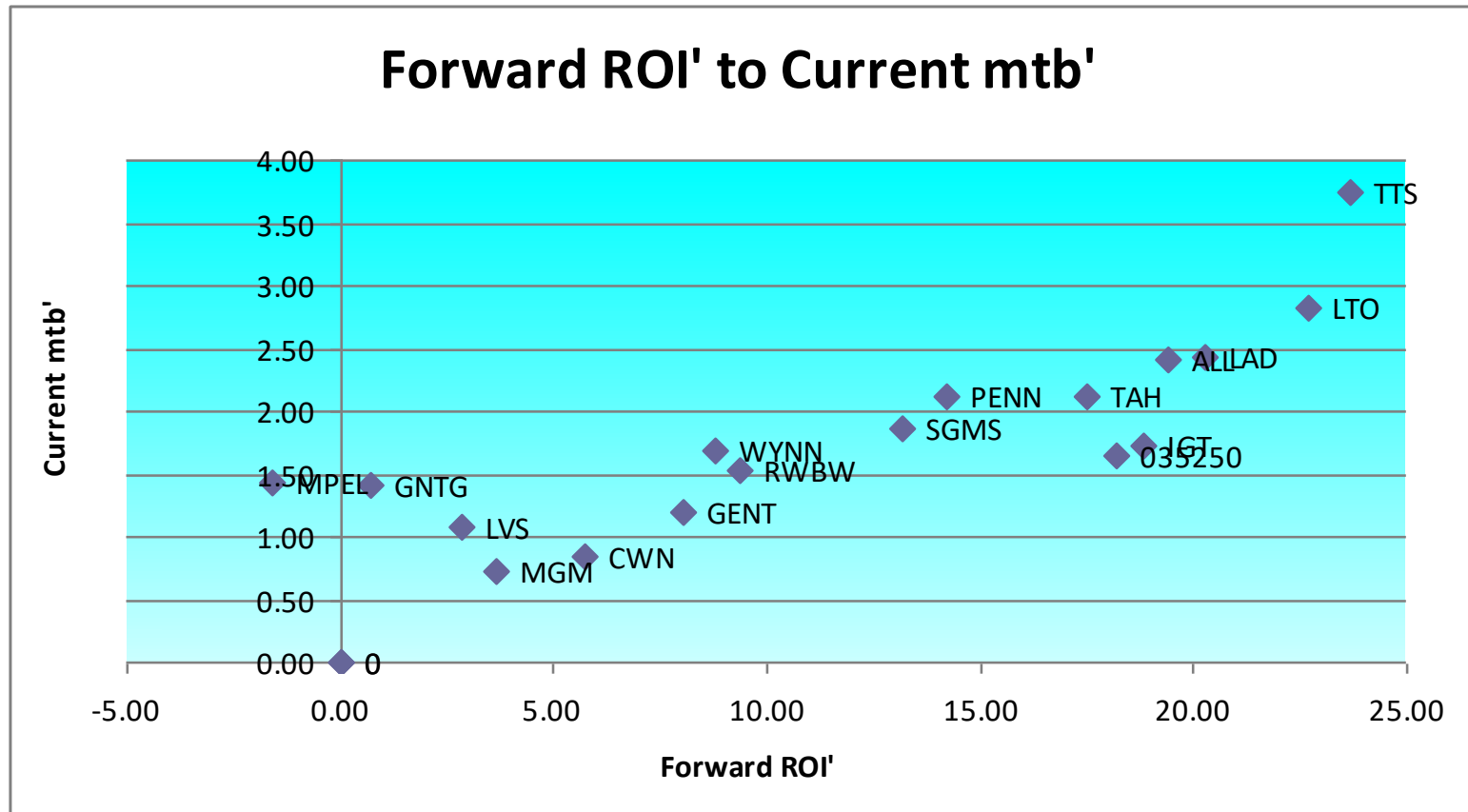
**PRIVATE AND CONFIDENTIAL:** This document is confidential and contains proprietary information. Neither the document nor any of the information contained herein may be reproduced or disclosed to any person under any circumstances without express written permission.

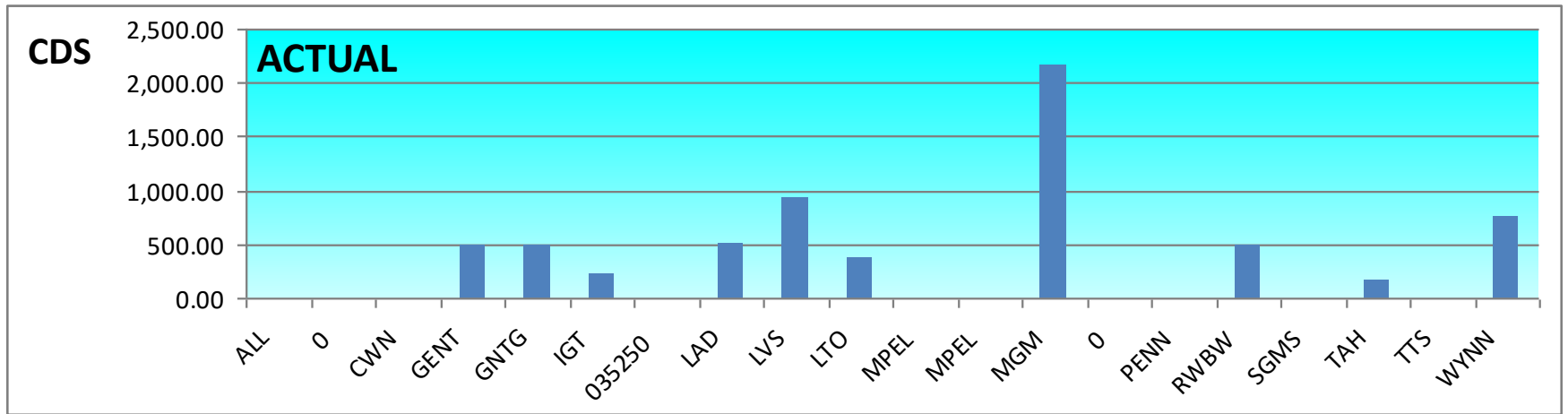


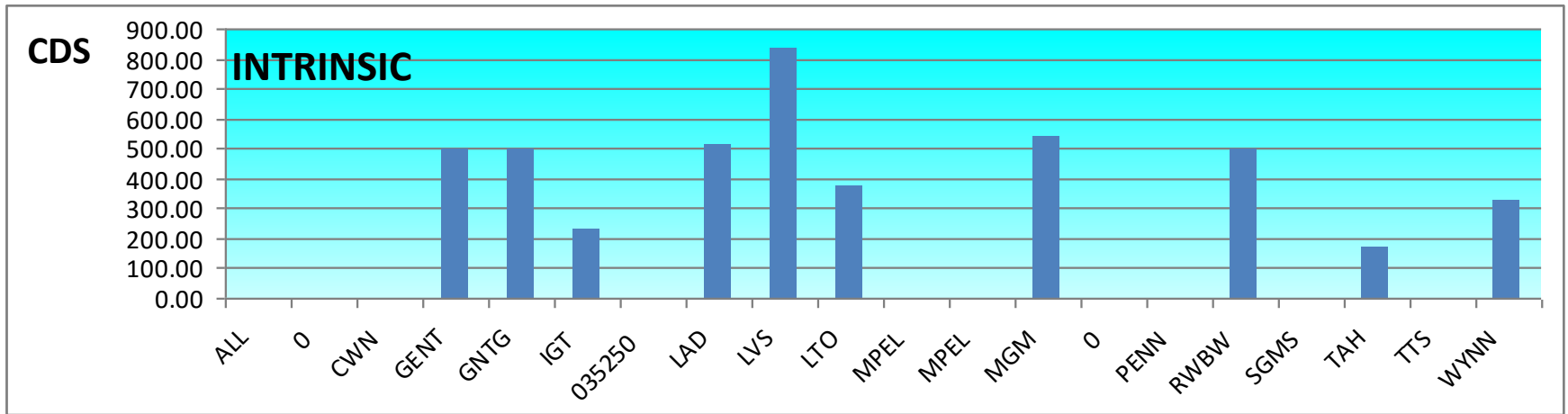
**LVS**

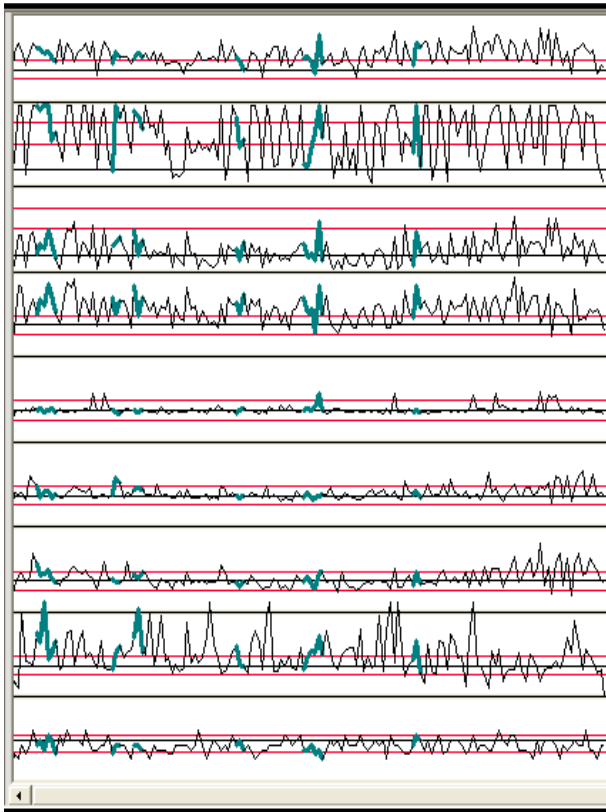
**Las Vegas Sands**

# Global Casinos

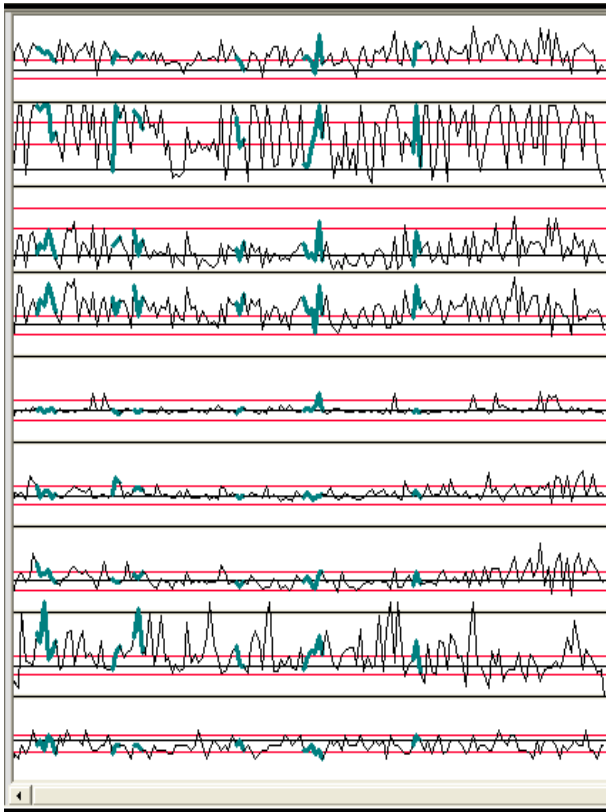








## CEO and COO, Fall 2008:



**CEO and COO, Fall 2008:**

**Highly, highly questionable:**

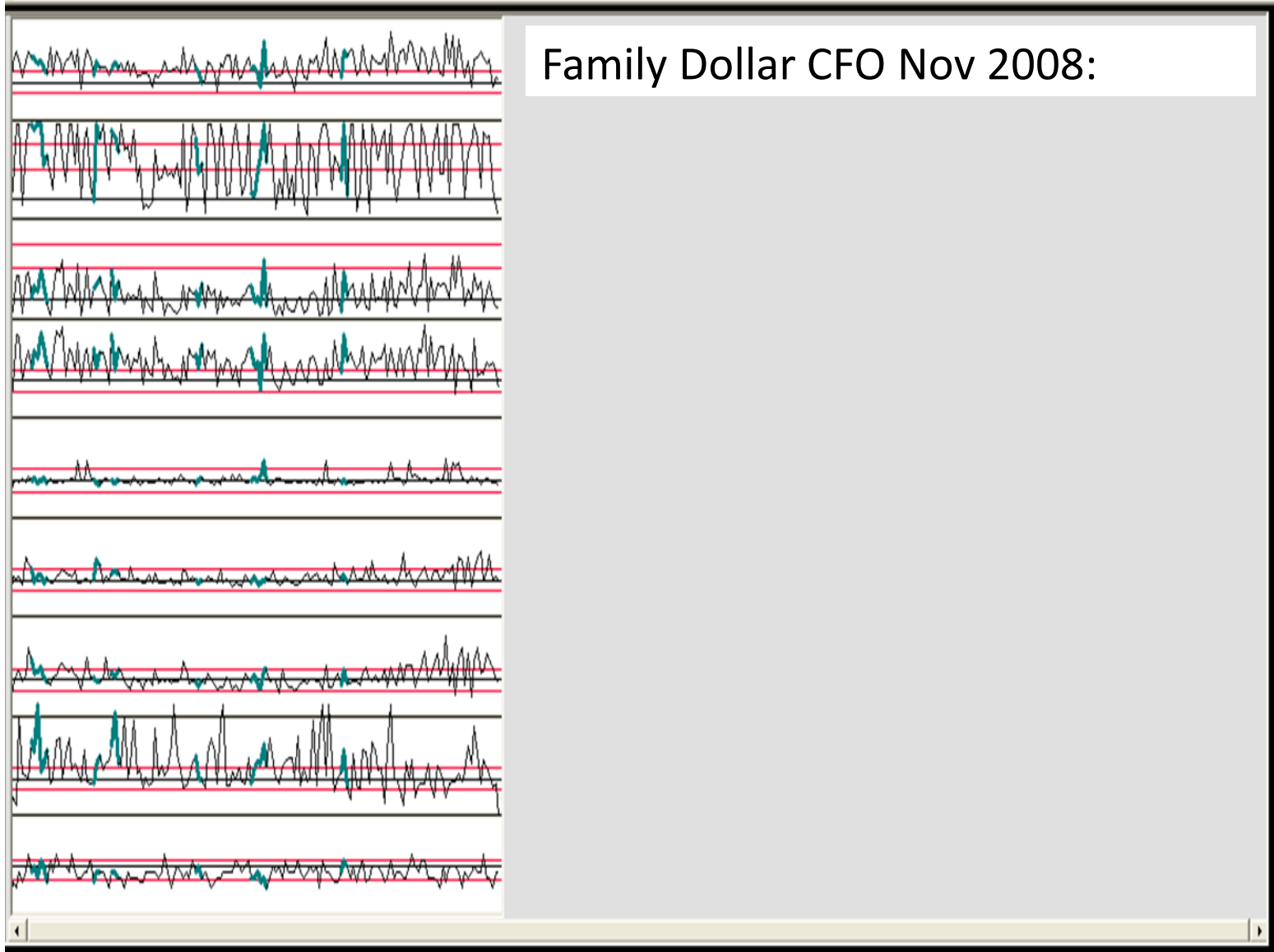
***“...attendance overall is up...”***

***“...penthouses have high demand...”***

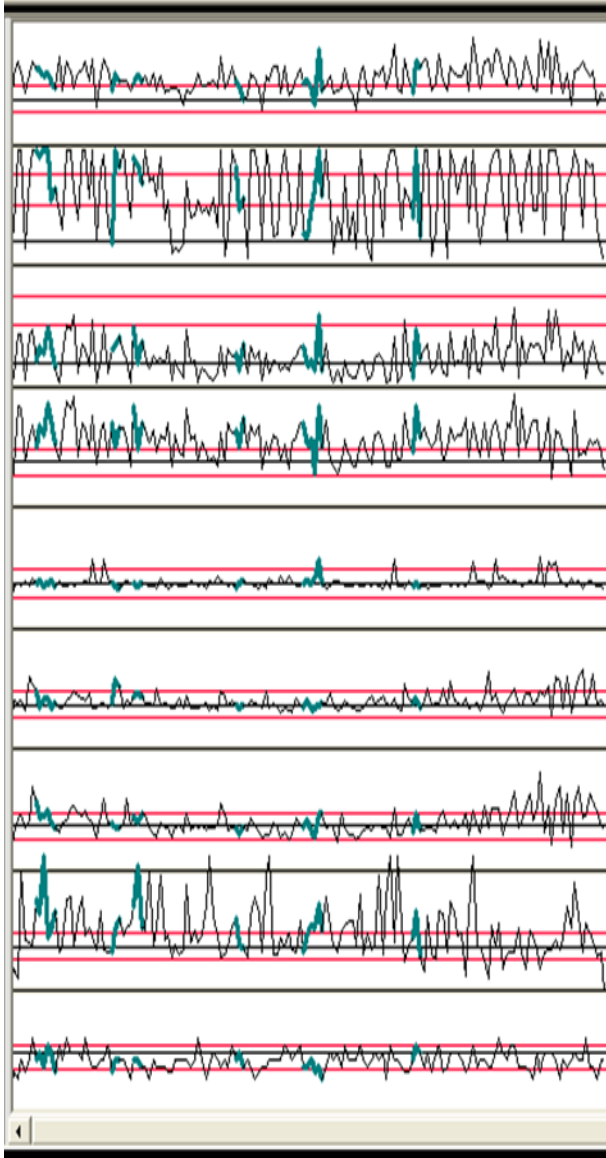
***“...increase in ferry usage...”***

***“...no liquidity problems...”***

# Bruce Lee and Cognitive Stress Analysis™



# Bruce Lee and Cognitive Stress Analysis™



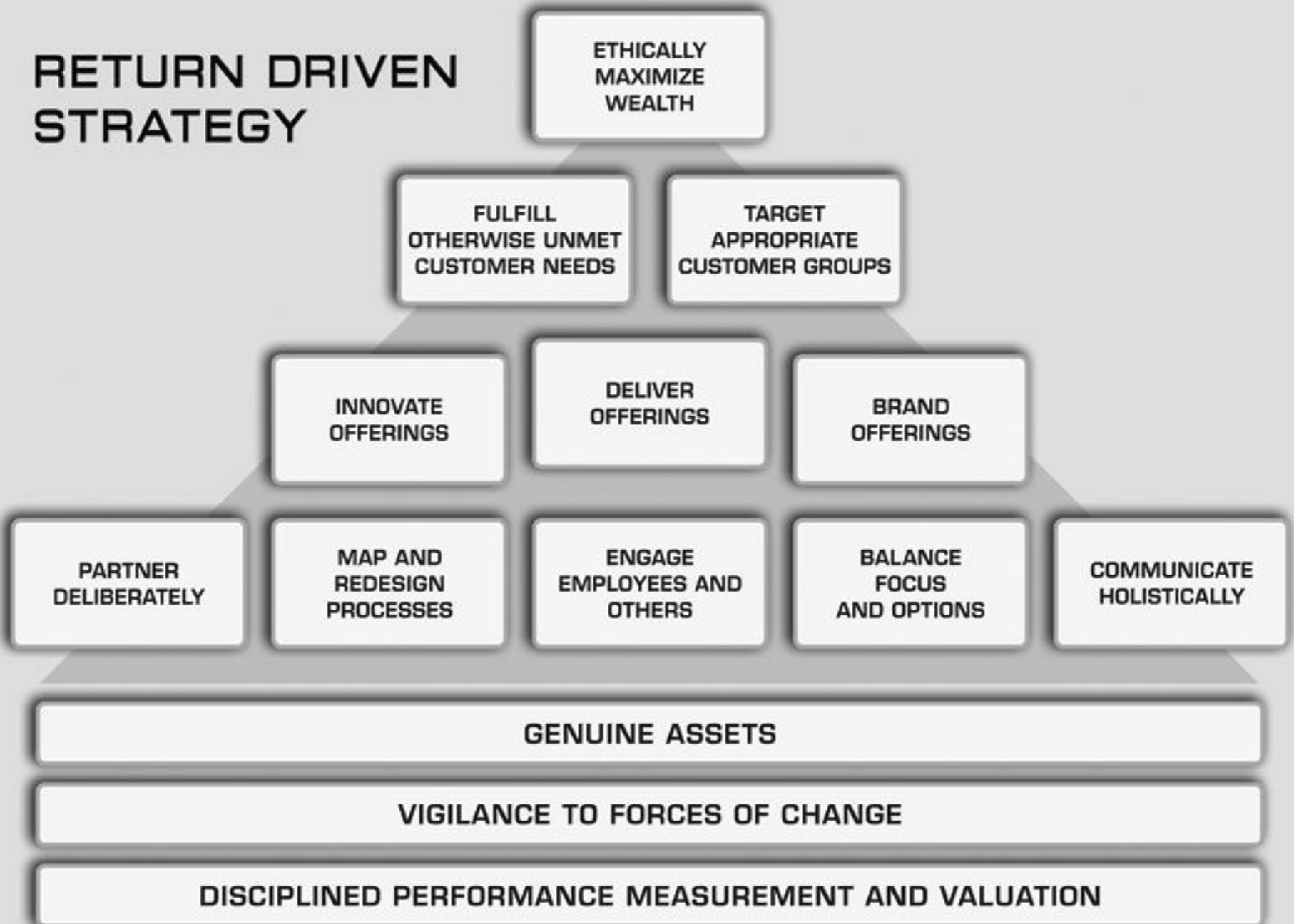
Family Dollar CFO Nov 2008:

Highly Questionable:

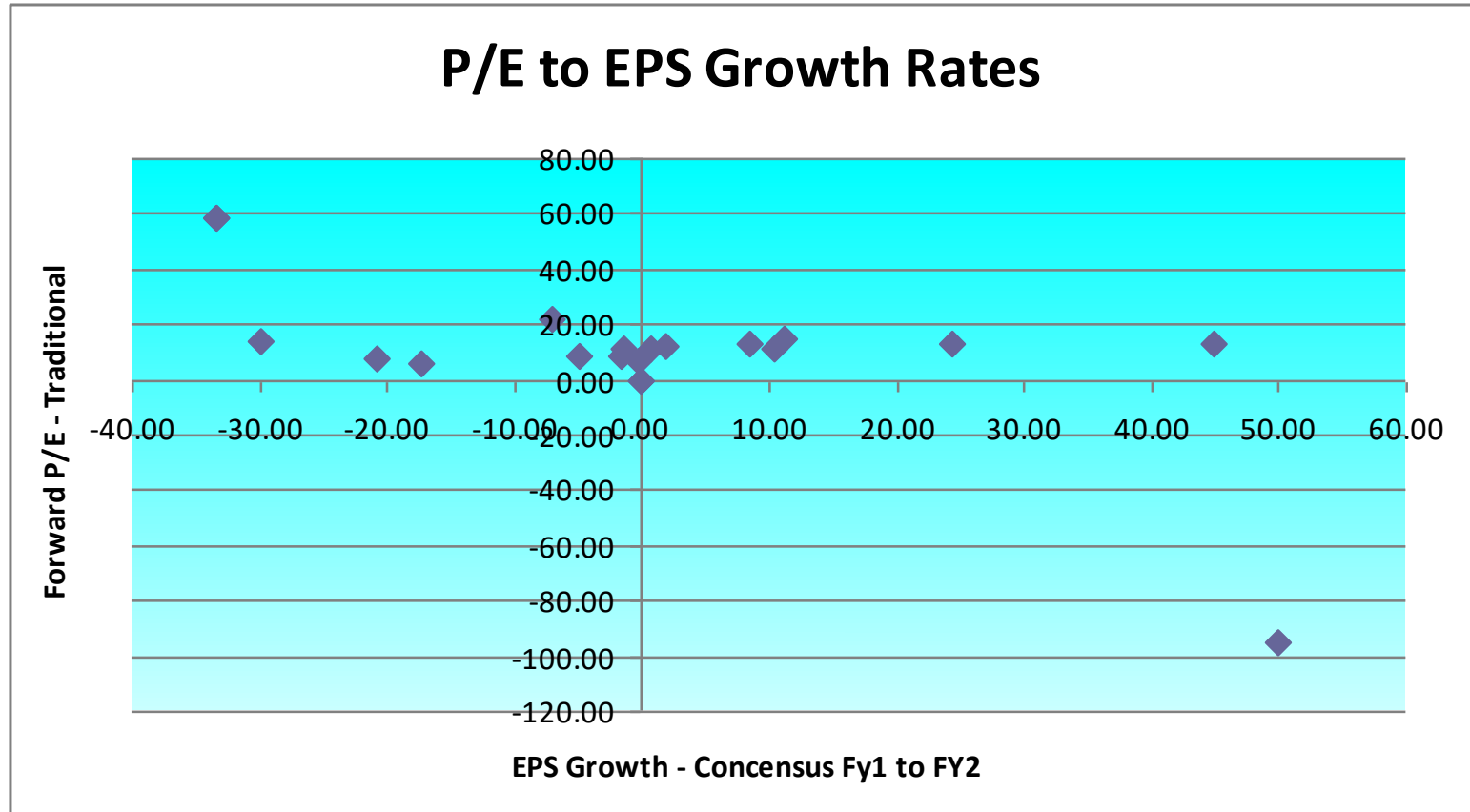
*“...consistent dividend payment...”*



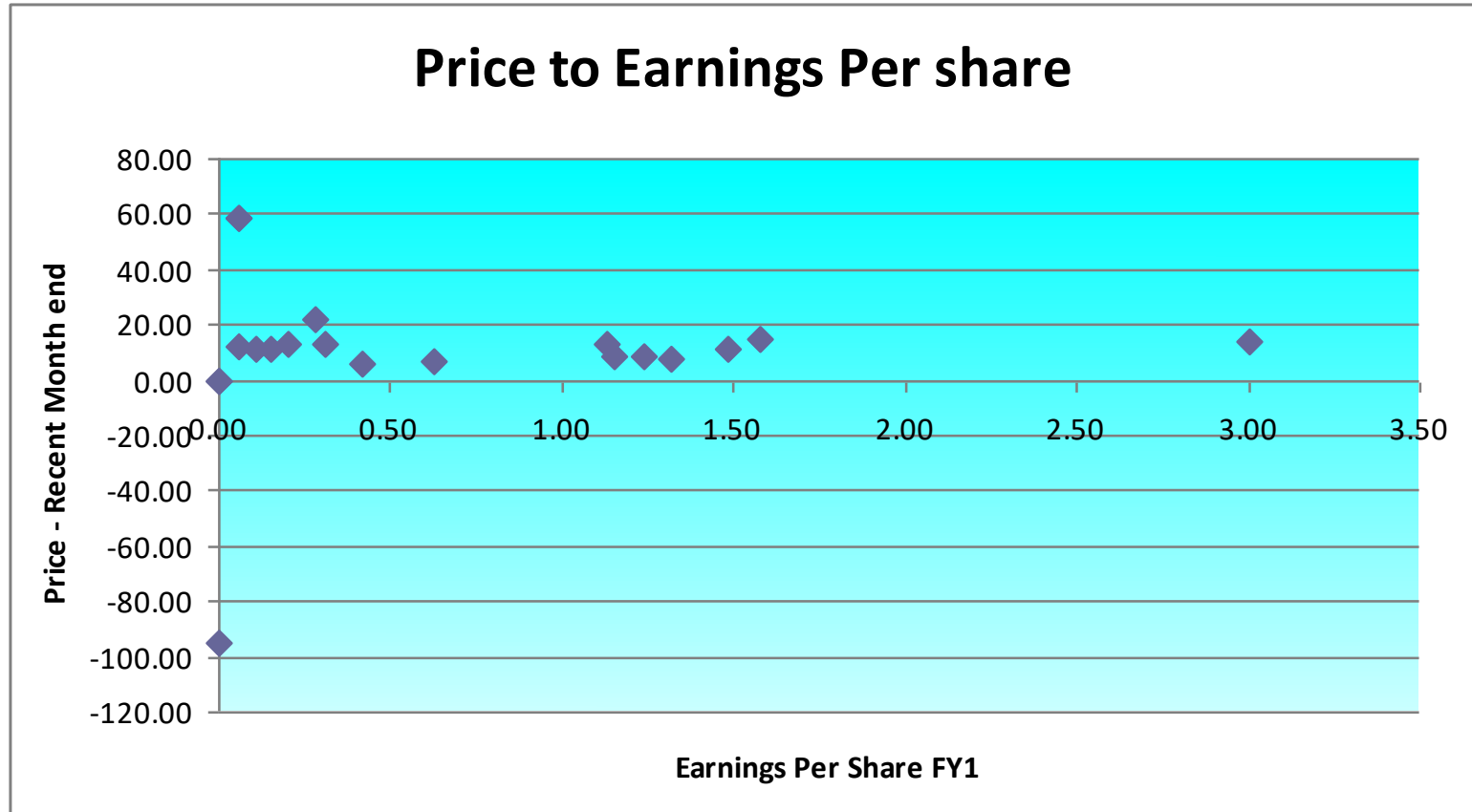
# RETURN DRIVEN STRATEGY



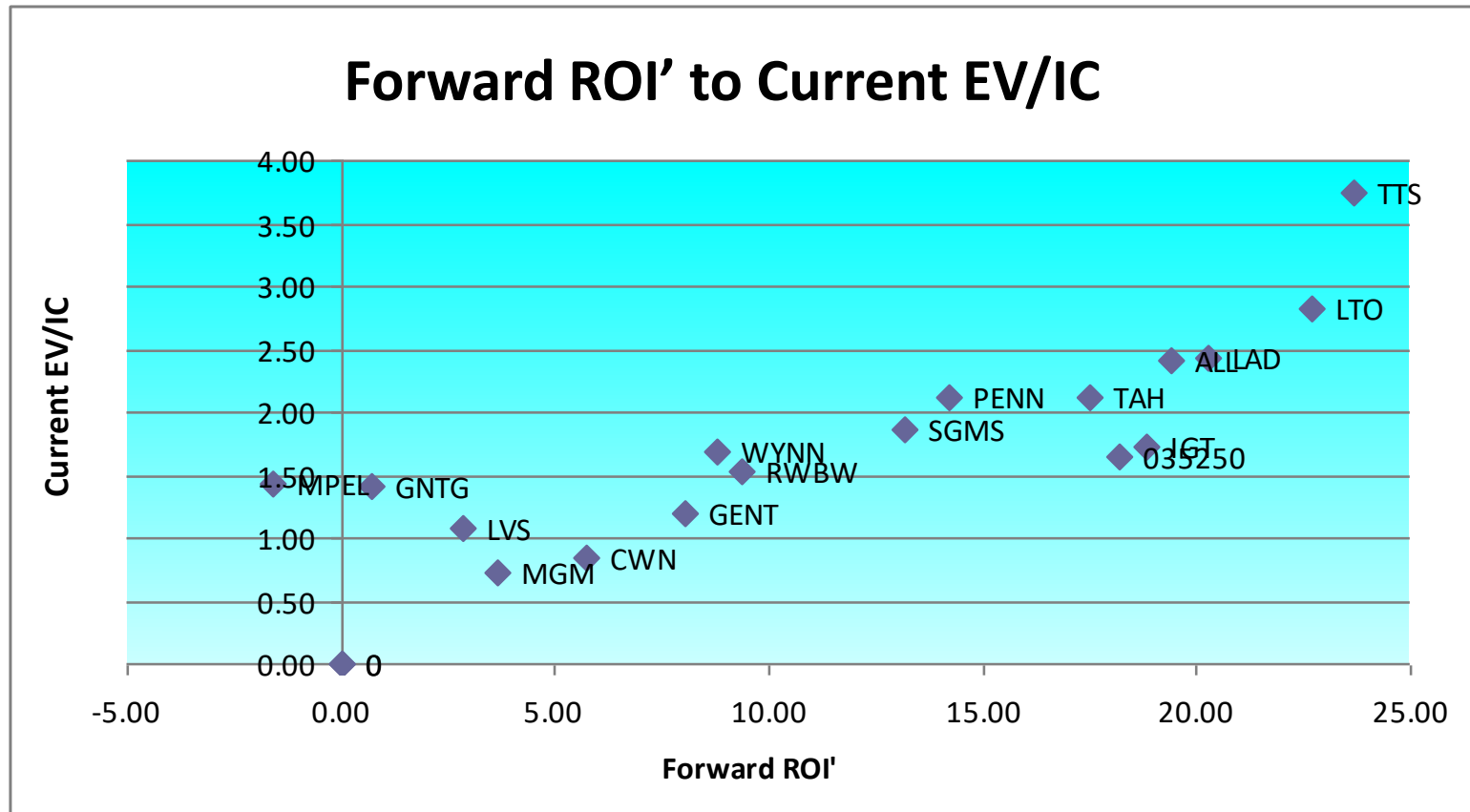
# Global Casinos (Oct 2008)



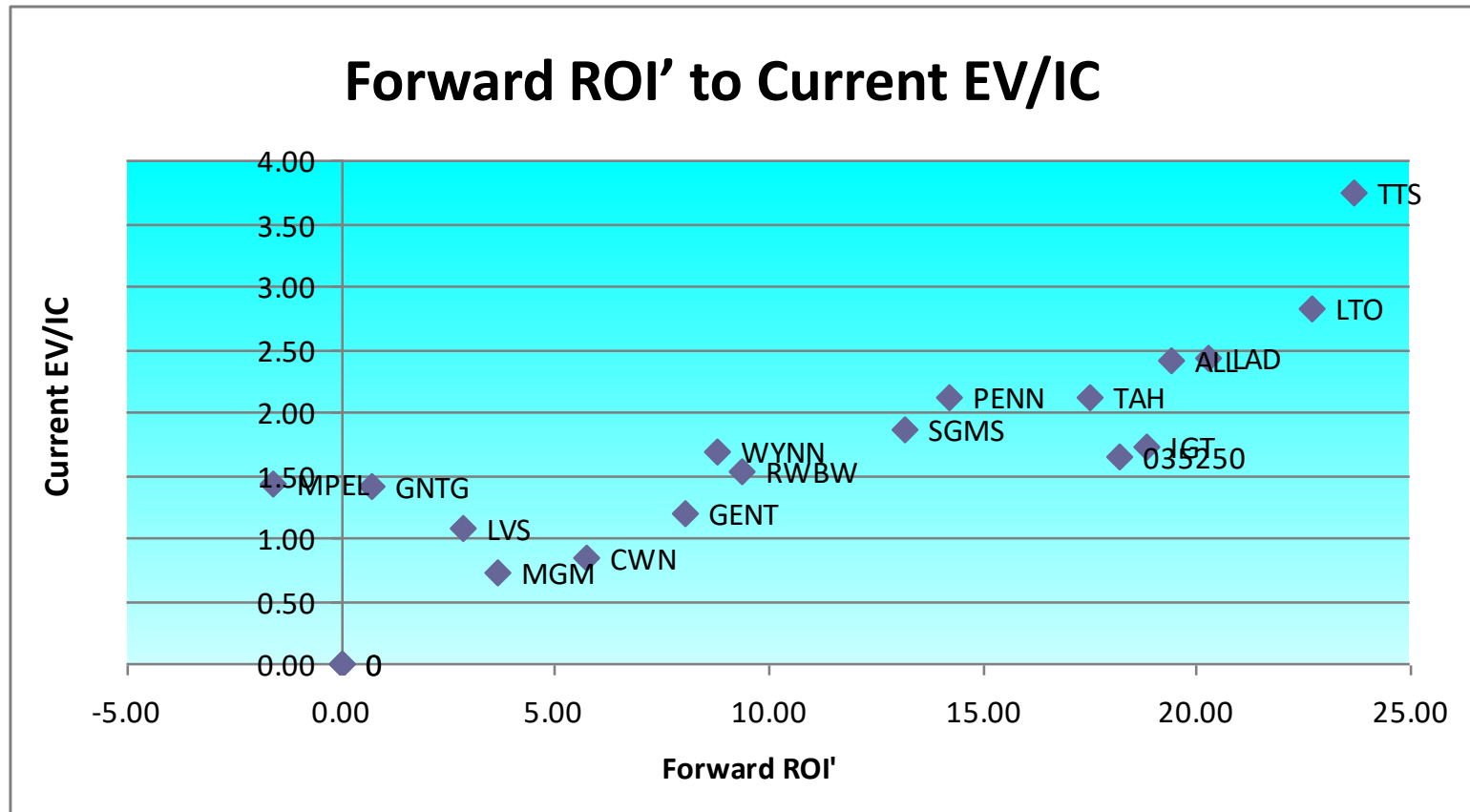
# Global Casinos (Oct 2008)



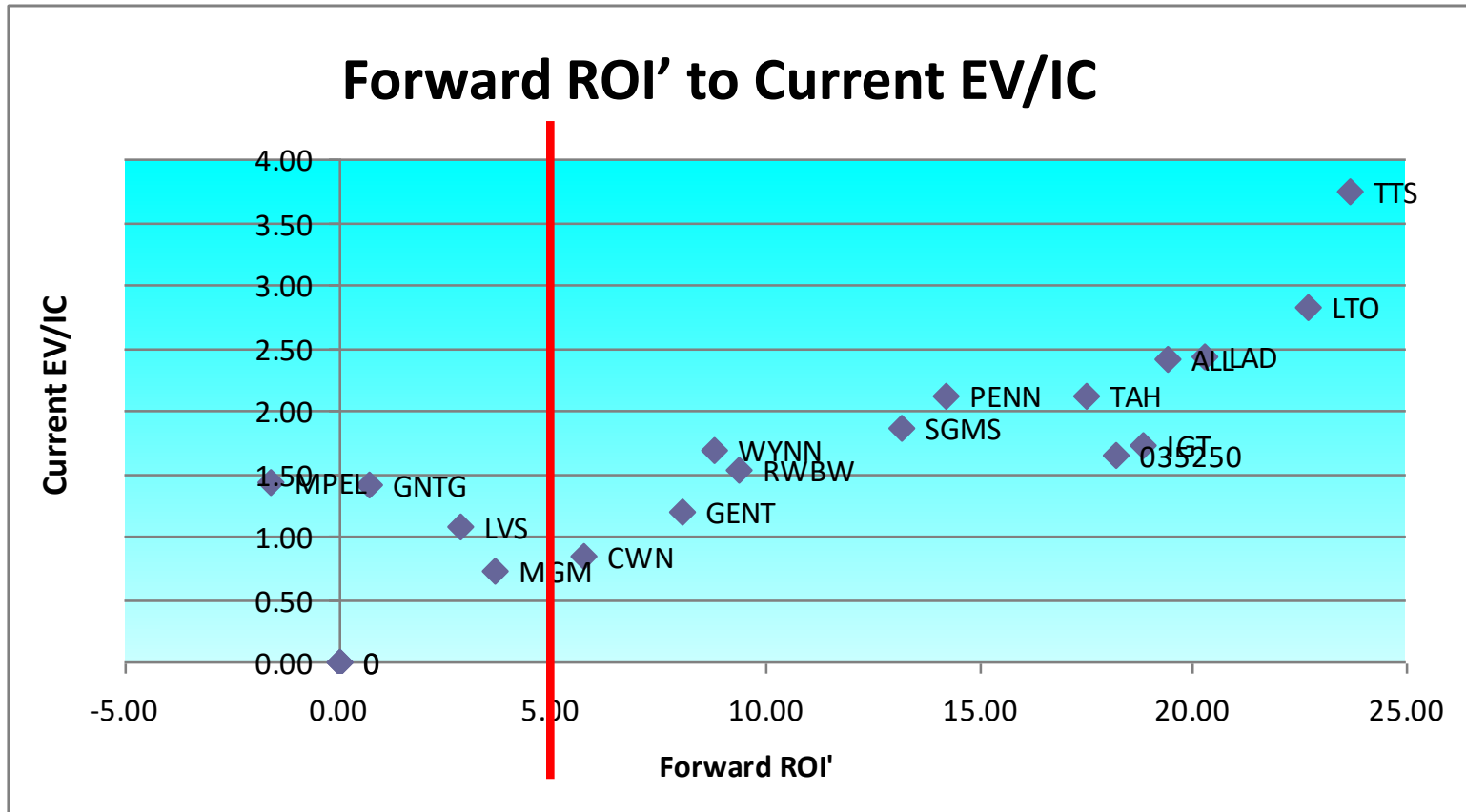
# Global Casinos (Oct 2008)



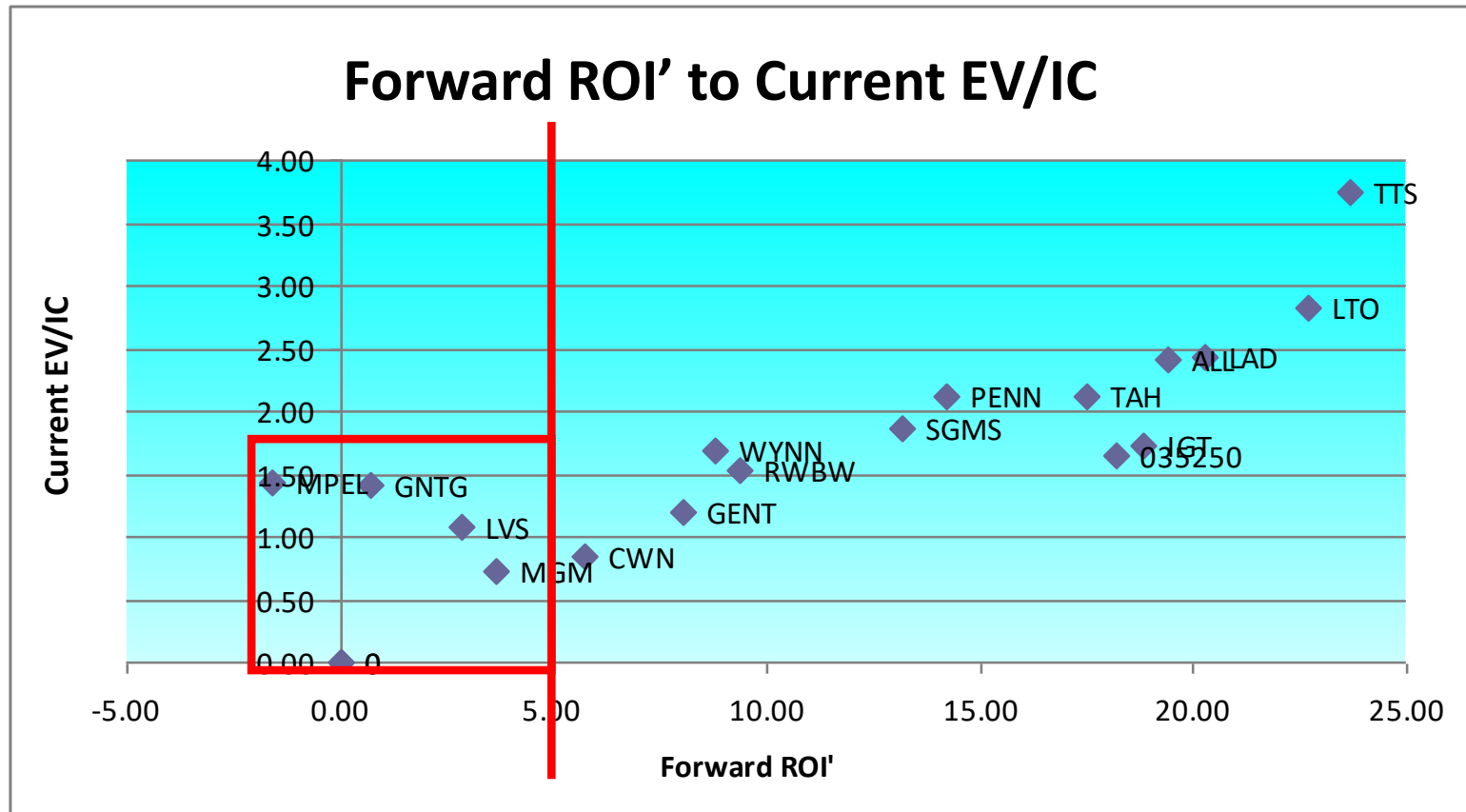
# Bruce Lee and Statistics



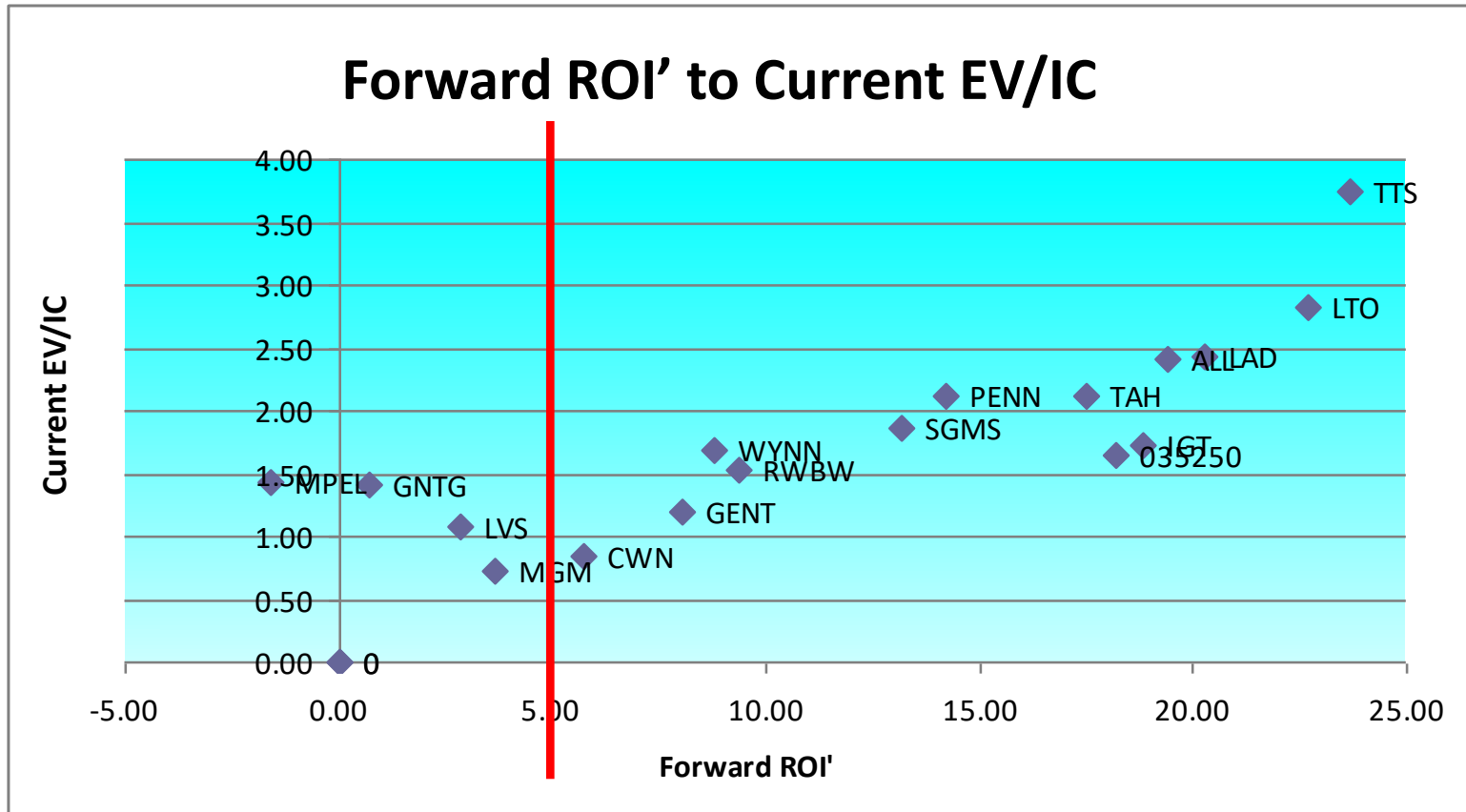
# Bruce Lee and Statistics: Spline



# Bruce Lee and Statistics: Lack of explanatory variable



# Bruce Lee and Statistics: Heteroskedasticity





# Bruce Lee and Statistics: Heteroskedasticity

